Iowa Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Iowa's heritage is deeply connected to two of the world's most historic rivers – the Mississippi and Missouri. These two mighty rivers have carried settlers, transported commerce and still provide vital commercial and recreational opportunities for the Midwest. The Mississippi River at Keokuk is featured on the front cover. On the back cover, water from Malanaphy Springs near Decorah makes its way to the Mississippi.

Photos courtesy of Iowa DNR (Clay Smith) 2010.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010

GOVERNOR:
Chester J. Culver

PREPARED BY:
The Iowa Department of Administrative Services - State Accounting Enterprise

STATE OF IOWA

Comprehensive Annual Financial Report
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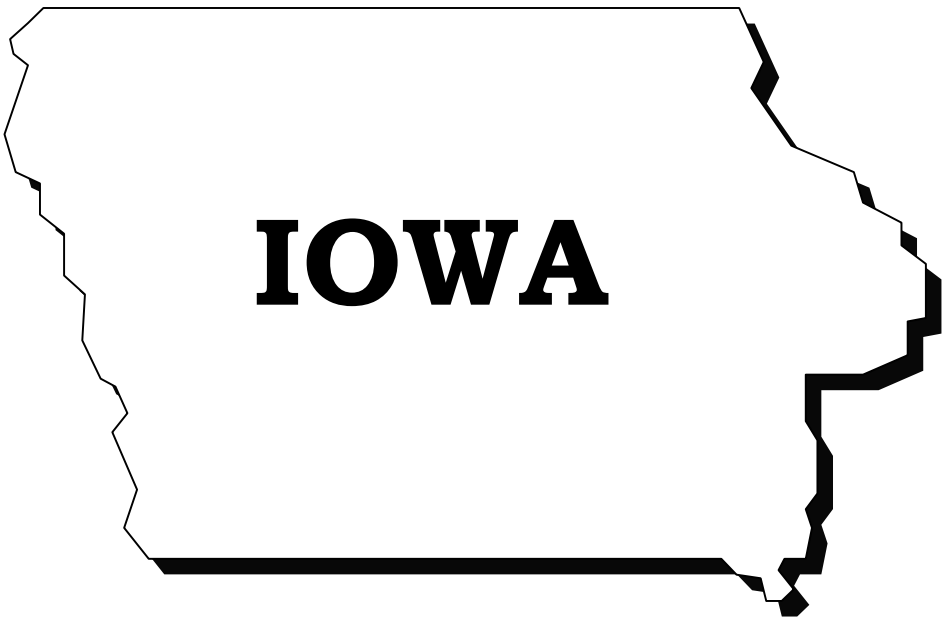
ACKNOWLEDGMENTS


IOWA

INTRODUCTORY SECTION

December 15, 2010

TO THE CITIZENS, GOVERNOR AND MEMBERS OF THE IOWA GENERAL ASSEMBLY

In accordance with Iowa Code Section 8A.502(8), we are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the State of Iowa for the fiscal year ended June 30, 2010. As required by State statute, this report has been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB).

The Department of Administrative Services and the Department of Management are responsible for both the accuracy of the presented data and the completeness and fairness of the presentation. We believe the information presented is accurate in all material respects and the necessary disclosures have been made in order to enable the reader to understand the State's financial activity.

The State's system of internal controls over assets recorded in the accounting system have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded against unauthorized use or disposition and that financial records from all appropriate sources are reliable for preparing financial statements and maintaining accountability. The concept of reasonable assurance recognizes the cost of internal controls should not exceed the benefits likely to be derived from their use. To monitor the adequacy of internal controls, the Auditor of State reviews internal control procedures as an integral part of departmental audits.

The Auditor of State is required by Chapter 11 of the Code of Iowa to audit annually all departments of the State. The accompanying basic financial statements of the State of Iowa have been audited by the Auditor of State in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. His report appears elsewhere herein. In addition, the Auditor of State conducts a single audit under the requirements set forth in the Single Audit Act of 1984, the Single Audit Amendments of 1996 and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". That report is issued separately.

The Auditor of State issued a qualified audit opinion due to a scope limitation on the fiscal year ended June 30, 2010 Comprehensive Annual Financial Report. See pages 16 and 17 for his report. A scope limitation indicates the Auditor of State did not audit all material aspects of the State's financial statements. The Department of Administrative Services and the Department of Management assert without exception that all financial records and related data were made available in a timely manner to allow the Auditor of State to conduct his audit, and

maintain strongly that the State's financial statements are fairly presented in conformity with GAAP.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

The State of Iowa was admitted into the Union as the 29th state in 1846. Iowa is a midsize state with a mid-continent location. It covers 55,869 square miles, making it the 25th largest state in the United States. The Mississippi River carves out Iowa's eastern border, while the flow of the Missouri and Big Sioux Rivers form the western border. Iowa has a population of 3.0 million.

In Iowa, government power is distributed among three branches. The Legislative branch creates laws that establish policies and programs; the Executive branch carries out the policies and programs created in the laws and the Judicial branch resolves any conflicts arising from interpretation or application of the laws. The Executive branch agencies are the Governor, Lieutenant Governor, Secretary of State, Treasurer of State, Secretary of Agriculture, Attorney General and Auditor of State, as well as 30 agencies lead by appointed State officials. The Legislative branch is compromised of two houses, a 50 member Senate and a 100 member House of Representatives. The Judicial branch is presided over by the Iowa Supreme Court, which is led by the Chief Justice of the Supreme Court.

The State provides a range of services such as education, health and human services, highway maintenance and construction, natural resources and agriculture management, law enforcement, public safety and economic development programs.

This report includes all of the fund types, departments and agencies of the State, as well as the boards, commissions, authorities and universities for which the State is financially accountable. Component units also included in the report are the Iowa Finance Authority, Iowa Higher Education Loan Authority, Iowa Agricultural Development Authority, Iowa State Fair Authority and University Foundations. The reader is directed to Note 1.B in the Notes to the Financial Statements for a more complete description of the factors used to define the reporting entity.

State Budget and Budgetary Controls. The annual budgetary process serves as the foundation for the State's financial planning and control. Each year state departments submit budget requests to the Governor's Office by October 1. The State's budget is prepared by the Governor on an annual basis and is required to be submitted, along with proposed appropriation bills, to the General Assembly by the first of February prior to the new fiscal year. The General Assembly approves appropriation bills which establish spending authority for the upcoming fiscal year. The Governor has the ability to approve, veto or item veto appropriation bills as they are presented to him.

Departments may request revisions to allotments, appropriation transfers, or supplemental appropriations. The Department of Management approves revised allotments within an appropriation, subject to the Governor's review. The Governor and the Department of Management approve all appropriation transfers. The General Assembly and the Governor act on supplemental appropriation bills in a manner similar to original appropriations.

Appropriations lapse at fiscal year-end and all unencumbered or unobligated balances revert to the state treasury, unless otherwise provided.

All claims presented for payment must be approved by the appropriate department. The expenditure must be for a purpose intended by law and a sufficient existing and unexpended appropriation balance must be available. Budgetary controls are incorporated into State accounting systems. The annual budget of the State is established through separate appropriations to individual departments for specific purposes, special outlays and/or operating expenditures. Budgetary control is essentially maintained at the departmental level except for certain grant and aid programs where control is maintained at the program level.

ECONOMIC CONDITION AND OUTLOOK

National Economic Outlook 2010-2011

In September 2010, the National Bureau of Economic Research made the official determination that the national economy began to see in June 2009, an upswing from the recession that started in December 2007. During fiscal year 2010, real gross domestic product showed growth of 3.0 percent, reflecting the impact the stimulation that additional programs from the federal government had on the economy and also the overall slow rebound the national economy is experiencing. However, much of this stimulus has passed and according to Moody's.com projections for real gross domestic product growth is a lower 2.4 percent.

Job growth has been anemic and is estimated not to improve much over the next 12 months. Employment has been on a decline in the United States since the end of calendar year 2007. During fiscal year 2010, 919,000 jobs were lost nationally, and projections for fiscal year 2011 are for slow growth and estimates only show a rebound of the same amount of jobs lost in the prior fiscal year.

State and Local Economy

Iowa's economy is supported by a diverse mixture of industry, agriculture, services and government employment. In calendar year 2009, 16.7 percent of the state's gross domestic product was in manufacturing, down from 21.0 percent 10 years ago. Finance and insurance has grown over the past 10 years from 11.1 percent of the total gross domestic product to 16.2 percent. With the growth in renewable fuels processing in Iowa, higher grain and livestock prices, agriculture has grown from 3.0 percent in 2000 to 5.1 percent in 2009.

Gross Domestic Product. The gross domestic product is the U.S. Commerce Department's measure of the value of all goods and services produced in Iowa each year. In calendar year 2009, Iowa's real gross domestic product dropped by 0.2 percent ranking Iowa 13th highest in growth rate nationally. The United States average growth during the calendar year was negative 2.1 percent.

Personal Income. Personal income, as reported by the U.S. Department of Commerce, for the nation increased 0.3 percent during fiscal year 2010. For the plains region, of which Iowa is a part, personal income during fiscal year 2009 rose 0.03 percent. Iowa's personal income rose 0.6 percent during the fiscal year.

Employment. Over the past 10 years, Iowa's unemployment rate has been between one and three percentage points below the national average. As of June 2010, the state unemployment rate stood at 6.7 percent, while the national average stood at 9.5 percent. Following the national trend, unemployment at the state level has grown during fiscal year 2010, from 6.1

percent in July 2009 to 6.7 percent in June 2010. Nonfarm employment on a seasonally adjusted basis dropped a net 300 jobs; however, there were 8,400 more people in the workforce. During fiscal year 2010, the trade and transportation sector lost 7,900 jobs, with construction losing 2,900 jobs and leisure and hospitality losing 2,300 jobs. These losses were offset by job growth in the professional and business section adding 8,500 jobs with other services sector adding 1,600 jobs. The rest of the economic sectors have smaller job changes.

Exports. The rise in exporting industries has been an important factor in Iowa's economic growth since the 1990's. Growth in exports of industrial machinery, instruments and measurement devices, electronics, specialized transportation equipment, chemicals and pharmaceuticals, and processed food products have helped diversify Iowa's economy. However, with the turndown of the global economy, Iowa's exports reduced by 25.4 percent for calendar year 2009, after growing 25.6 percent in calendar year 2008.

Canada continues to maintain the top country for Iowa's exports, with Mexico being Iowa's second best trading partner. In 2008, Iowa's agricultural export value was second to only California nationally, being first in soybean and feed grain exports in the nation.

Agriculture. The agricultural sector continues to be a strong presence in Iowa. Approximately 93 percent of the land area in the state is in farms. The U.S. Department of Agriculture reported in 2009, Iowa led the nation in the production of corn, soybeans and hogs and, was second in red meat production.

Farmland Values. The Federal Reserve Bank of Chicago, in their most recent public release, stated that propelled by rising agricultural prices, farmland values jumped 10 percent in the third quarter of 2010 from a year ago in the Seventh Federal Reserve District (Chicago). Farmland values in Iowa were up the most in the district, with a year-over-year increase of 13 percent for the third quarter of 2010. Bankers responding to the survey sent out by the Chicago Federal Reserve Bank thought that land values will continue to rise during the last quarter of calendar year 2010.

Manufacturing. Iowa's manufacturing employment dropped to an average of 203,700 for 2009, down from the 2008 level of 227,800. During calendar year 2009, durable goods products accounted for about 57.7 percent of manufacturing employment, and also accounted for most of the drop in employment.

2010 Natural Disasters. In June and July 2010, Iowa was hit by storms and flooding. On July 24, 2010, water breeched the Delhi dam in Delaware County, causing the dam to collapse. 59 out of 99 counties throughout Iowa have been declared Presidential disaster counties. On August 6, 2010, Governor Culver formed a task force charged with reviewing all opportunities on how to deal with the Delhi dam disaster. The report is due on December 1, 2010.

Financial Policies

The Governor and General Assembly have statutory responsibility to balance the budget.

- Spending is limited to 99.0 percent of adjusted revenues, 95.0 percent of any new revenue implemented in a fiscal year, and any carry-over from the previous year.
- The Governor and the Legislature are required to use the revenue estimates agreed to by the December Revenue Estimating Conference, or the spring estimate if it is lower, as a basis to determine the General Fund budget for the following year.

- Two reserve funds have been created: the Cash Reserve Fund and the Economic Emergency Fund. Expenditures from these funds are limited by statute for nonrecurring emergency expenditures.

MAJOR INITIATIVES AND ISSUES

IJOBS. During the 2010 session, Governor Culver proposed building upon the success of his IJOBS Program, and the Legislature adopted Governor Culver's proposed changes. The IJOBS Program was created in 2009, to strengthen Iowa's economy, help Iowa recover from the 2008 natural disasters, invest in Iowa's infrastructure, preserve or create/retain jobs and promote long-term economic growth. The $875 million program focuses on the following key areas: funding for disaster recovery and prevention - $225 million, funding for state vertical infrastructure projects - $170 million, rebuilding Iowa's universities - $150 million, transportation projects - $130 million, improving environment and water quality - $91 million, and local community vertical infrastructure projects - $62 million. Funding for this program comes from several sources with the largest part - $695 million - coming from bonds repaid with gaming revenues. Funding also comes from $115 million in academic revenue bonds to be issued by the Board of Regents, and $65 million from the Rebuild Iowa Infrastructure Fund, federal recovery money and Revitalize Iowa's Sound Economy Fund.

Alternative Energy Initiatives. Governor Culver recommended and the Legislature passed $19.6 million for the fourth year of Governor Culver's multi-year $100 million Iowa Power Fund initiative. This fund provides financial assistance to entities committed to the areas of research, development and use of sources of renewable energy. As of September 22, 2010, more than $40.5 million in Iowa Power Fund moneys have been committed to 46 projects, leveraging an estimated $271.6 million in additional private investments.

AWARDS AND ACKNOWLEDGMENTS

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governments that publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

The State of Iowa received this prestigious award for its Comprehensive Annual Financial Report (CAFR) for sixteen consecutive years, fiscal years 1993 through 2008. We believe our fiscal year 2009 and 2010 reports continue to meet the Certificate of Achievement Program's (Program) requirements; however, the Auditor of State issued qualified audit opinions for both 2009 and 2010 CAFRs based on scope limitations, as he did not audit all material aspects of the State's financial statements. An unqualified audit opinion is one of the requirements of the Program and, consequently, the fiscal year 2009 and 2010 CAFRs were ineligible for the certificate.

Acknowledgment. The preparation of this report on a timely basis requires the collective efforts of numerous finance personnel throughout the State and is made possible only with the cooperation and support of the Executive, Legislative and Judicial branch agencies, universities and component units of the State.

This report could not have been accomplished without the professionalism and dedication of the staff in the Department of Management, the State Accounting Enterprise within the Department of Administrative Services, the Auditor of State's Office, and the financial and management personnel throughout State government.

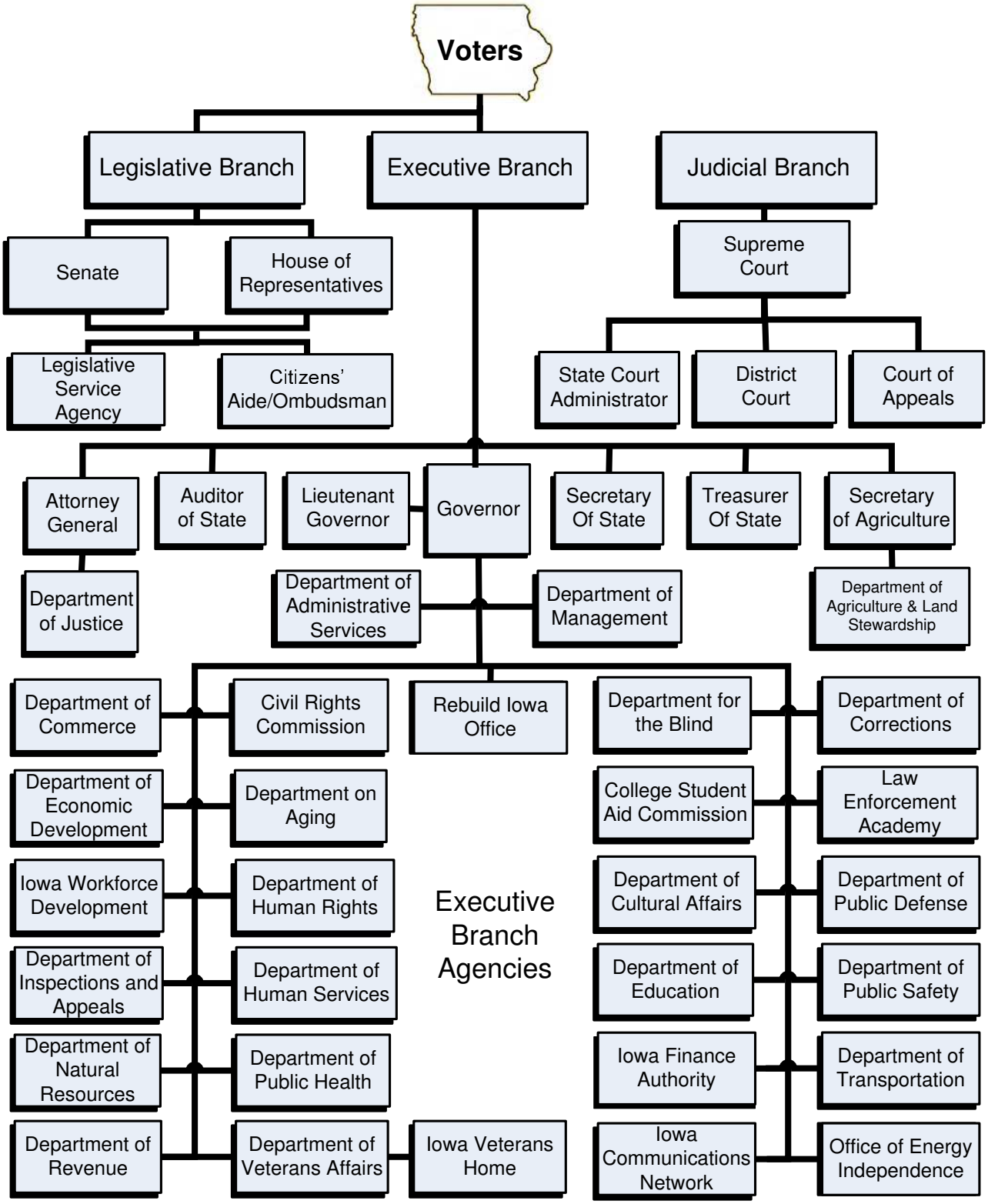
This report, issued for the twenty-second consecutive year, continues our commitment to the citizens of the State of Iowa, the Governor, the Legislature and the financial community, to maintain our financial statements in conformance with the highest standards of financial accountability.

Respectfully submitted,

Ray Walton, Director
Department of Administrative Services

Richard C. Oshlo, Jr., Director
Department of Management

State of Iowa Organizational Chart



Prepared for the Fiscal Year 2010 Comprehensive Annual Financial Report

Principal Officials

Elected Officials

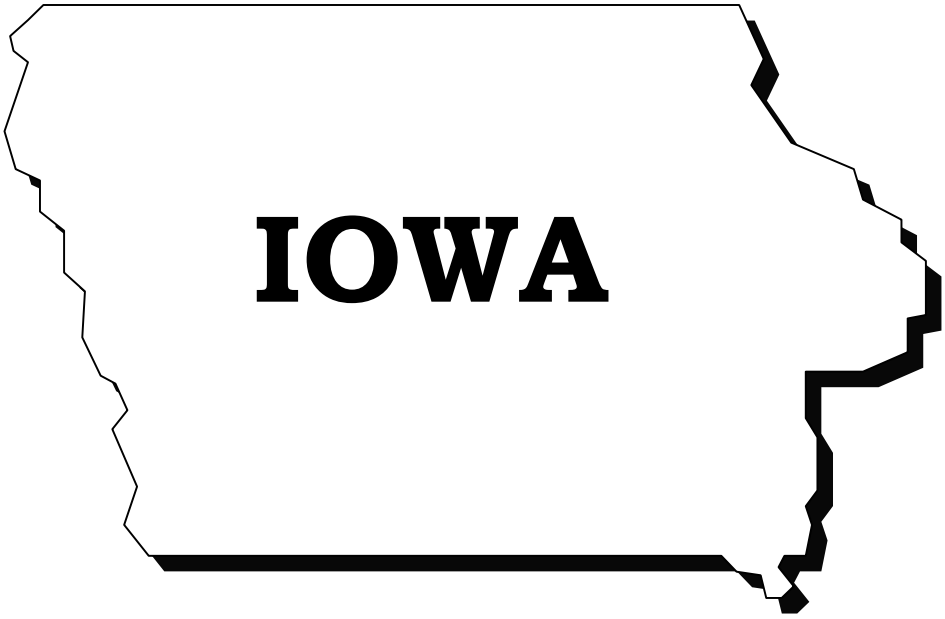
GOVERNOR	-	**Chester J. Culver**
LIEUTENANT GOVERNOR	-	**Patty J. Judge**
SECRETARY OF STATE	-	**Michael A. Mauro**
AUDITOR OF STATE	-	**David A. Vaudt**
TREASURER OF STATE	-	**Michael L. Fitzgerald**
SECRETARY OF AGRICULTURE	-	**William H. Northey**
ATTORNEY GENERAL	-	**Thomas J. Miller**

Legislative Branch

PRESIDENT OF THE SENATE	-	**John P. Kibbie**
SPEAKER OF THE HOUSE OF REPRESENTATIVES	-	**Patrick J. Murphy**

Judicial Branch

CHIEF JUSTICE OF THE SUPREME COURT	-	**Marsha K. Ternus**


IOWA

FINANCIAL SECTION

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Governor and Members of the General Assembly:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tobacco Settlement Authority, a major governmental fund, and certain discretely presented and blended component units, which statements reflect 98% of assets and 97% of revenues of the discretely presented component units and 27% of assets and 7% of revenues of the nonmajor special revenue funds, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the major fund and these discretely presented and blended component units, are based on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Iowa Higher Education Loan Authority, the Universities Foundations and the Iowa Public Television Foundation were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of the other auditors provide a reasonable basis for our opinions.

Due to a significant reduction in the appropriation provided to the Office of Auditor of State (Office) to fund audit work for the year ended June 30, 2009 on state departments which do not reimburse the Office for audit work performed, primarily relating to the General Fund and governmental activities, we were unable to perform sufficient audit procedures on fourth quarter fiscal year 2009 revenues, expenditures and cut off between fiscal years 2009 and 2010 to satisfy ourselves as to the proper recording of revenues and expenditures of the General Fund and the governmental activities for the years ended June 30, 2009 and 2010. As a result, we were unable to form an opinion regarding the amounts reported in the Statement of Activities for the governmental activities and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, a major fund, for the year ended June 30, 2010.

In our opinion, based on our audit and the reports of the other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to perform sufficient audit procedures on fourth quarter fiscal year 2009 revenues, expenditures and cut off between fiscal years 2009 and 2010 to satisfy ourselves as to the proper recording of revenues and expenditures of the General Fund and the governmental activities for the years ended June 30, 2009 and 2010, the Statement of Activities for the governmental

activities and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund referred to above present fairly, in all material respects, the respective changes in financial position of the governmental activities and the General Fund, a major fund, as of June 30, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, of the business-type activities, the aggregate discretely presented component units, each major fund except the General Fund and the aggregate remaining fund information for the year then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedules of Funding Progress on pages 18 through 28 and 112 through 118 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Iowa's basic financial statements. The supplementary information and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with Government Auditing Standards, our report on the State of Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters will be issued under separate cover. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the State of Iowa's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended on June 30, 2010. Readers are encouraged to consider this information in conjunction with the letter of transmittal located at the front of the CAFR and the State's financial statements, which follow this section of the CAFR.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights

- The assets of the State of Iowa exceeded its liabilities at the close of fiscal year 2010 by $12,606.0 million (net assets). Of this amount $1,263.3 million (unrestricted net assets) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- Total net assets increased $500.5 million in the fiscal year ended June 30, 2010. Net assets of governmental activities increased $378.8 million, or 5.0%, while net assets of business-type activities increased $121.7 million, or 2.7%.
- In the State's governmental activities, revenues increased 7.4% to $14,184.3 million while expenses increased 3.8% to $13,250.8 million.
- For business-type activities, revenues increased 15.4% to $4,595.0 million while expenses increased 7.3% to $5,012.0 million.

Fund Highlights

- The State's governmental funds reported a combined ending fund balance of $2,692.9 million, a $480.9 million increase from the prior year. Of this amount, $397.5 million represents unreserved fund balances and the remaining $2,295.4 million is reserved for specific purposes.
- The General Fund total fund balance increased $507.4 million to $2,431.3 million and the unreserved fund balance increased $112.4 million to $915.2 million at June 30, 2010.
- The proprietary funds reported net assets at year-end of $4,740.4 million, an increase of $122.5 million.

Long-term Debt

- The State's total long-term debt increased $748.3 million, or 32.0%, to $3,085.3 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of the CAFR consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and an optional section that presents supplementary information.

Basic Financial Statements

The basic financial statements include the government-wide financial statements, the fund financial statements and the notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are intended to provide a broad view of the State's financial activity. These statements are prepared using the accrual basis of accounting and the economic resources measurement focus, in a manner similar to private-sector business.

- The *Statement of Net Assets* presents all of the State's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the State's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

- The *Statement of Activities* presents information about the change in the State's net assets. This statement is formatted to report direct expenses, program revenues and the net revenues or expenses for each of the State's governmental functions and business-type activities. This format identifies the extent to which each function is self-financed or is supported by the general revenues of the State.

The government-wide financial statements of the State are divided into three categories:

- *Governmental activities* – Most services generally associated with State government, such as administration & regulation, education, health & human rights, human services, justice & public defense, economic development, transportation and agriculture & natural resources, are included in this category.
- *Business-type activities* – State operations such as the Universities and the Unemployment Benefits Fund that charge fees to external customers and function similarly to private business are included here.
- *Component units* – These are operations that are legally separate from the State, but for which the State is financially accountable. The State's discretely presented component units are:
  - Iowa Finance Authority (Business-type)
  - Iowa Higher Education Loan Authority (Business-type)
  - Iowa Agricultural Development Authority (Business-type)
  - Iowa State Fair Authority (Business-type)
  - University of Iowa Foundation (Business-type)
  - Iowa State University Foundation (Business-type)
  - University of Northern Iowa Foundation (Business-type)

  Additional information about the State's component units is presented in NOTE 1-B of the Notes to the Financial Statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds. The State has three types of funds:

- *Governmental funds* – Most of the basic services provided by the State are accounted for in governmental funds. Governmental funds use the modified accrual basis of accounting and the flow of current financial resources measurement focus. Modified accrual accounting is used to show the flow of financial assets of the funds and the balances available for spending at year-end. These statements provide a detailed *short-term* view that assists in determining whether there are adequate financial resources available to meet the current needs of the State. Because this information does not encompass the long-term focus of the government-wide statements, reconciliation schedules accompany the governmental funds statements. The General Fund, Tobacco Settlement Authority and Tobacco Collections Fund are the State's major governmental funds. Nonmajor governmental funds are reported by fund type in the Combining Financial Statements – Nonmajor Funds.
- *Proprietary funds* – Services for which the State charges customers a fee are generally reported in proprietary funds. Proprietary funds use the accrual basis of accounting and, like the government-wide statements, provide both long-term and short-term financial information.
  - The State's enterprise funds (one type of proprietary fund) are used to report activities, such as universities, that are presented as business-type activities in the government-wide statements.
  - The State's internal service funds (the other type of proprietary fund) are used to account for activities that provide supplies and services for other State programs and activities – such as the Workers' Compensation Fund.

  The University Funds and the Unemployment Benefits Fund are the State's major proprietary funds. Nonmajor proprietary funds are reported by fund type in the Combining Financial Statements – Nonmajor Funds.
- *Fiduciary funds* – These funds are used to show assets held by the State as trustee or agent for others outside the State, such as the Iowa Public Employees' Retirement System and the Iowa Educational Savings Plan Trust. Similar to proprietary funds, these funds use the accrual basis of accounting. Because the State cannot use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed above.

Table 1

Major Features of the State's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as Human Services and Transportation	Activities the State operates similar to private businesses: the universities and the Iowa Communications Network	Instances in which the State is the trustee or agent for someone else's resources, such as the retirement plan for public employees
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the State's funds do not contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements

The notes provide additional information that is essential to fully understand the government-wide and fund financial statements. The notes also explain some of the information contained in the financial statements and present more detail than is practical in the financial statements.

Required Supplementary Information

In addition to this Management's Discussion and Analysis, Required Supplementary Information (RSI) includes the Budgetary Comparison Schedule. This schedule presents both the original and final appropriated budget for major funds. The Budgetary Comparison Schedule is accompanied by a Budget to GAAP Reconciliation and by Notes to RSI. Schedules of funding progress for the Judicial Retirement System, the Peace Officers' Retirement, Accident and Disability System and Other Postemployment Benefits are also presented.

Supplementary Information

The Supplementary Information includes combining financial statements for non-major governmental funds, non-major enterprise funds, internal service funds and fiduciary funds, which are added together and presented in single columns in the basic financial statements.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's combined net assets (governmental and business-type activities) totaled $12,606.0 million at June 30, 2010, compared to $12,105.5 million at June 30, 2009 (restated), as indicated in Table 2.

Table 2

Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2010	Restated 2009	2010	2009	2010	Restated 2009	2009-2010
Current and other assets	$4,795.4	$3,744.4	$3,549.2	$3,398.6	$ 8,344.6	$ 7,143.0	16.8%
Capital assets	6,936.0	6,536.9	3,534.8	3,382.7	10,470.8	9,919.6	5.6%
Total assets	11,731.4	10,281.3	7,084.0	6,781.3	18,815.4	17,062.6	10.3%
Long-term liabilities	2,004.9	1,300.3	1,644.0	1,458.1	3,648.9	2,758.4	32.3%
Other liabilities	1,731.6	1,364.9	828.9	833.8	2,560.5	2,198.7	16.5%
Total liabilities	3,736.5	2,665.2	2,472.9	2,291.9	6,209.4	4,957.1	25.3%
Net assets:							
Invested in capital assets, net of related debt	6,880.4	6,489.4	2,270.2	2,234.6	9,150.6	8,724.0	4.9%
Restricted	1,201.2	981.5	991.1	1,286.7	2,192.3	2,268.2	-3.3%
Unrestricted	(86.7)	145.2	1,349.8	968.1	1,263.1	1,113.3	13.5%
Total net assets	$7,994.9	$7,616.1	$4,611.1	$4,489.4	$12,606.0	$12,105.5	4.1%

Net assets of the State's governmental activities increased 5.0% to $7,994.9 million. The largest component (86.1%) of the State's net assets is invested in capital assets (e.g. land, buildings, equipment, infrastructure and others), net of related outstanding debt that was used to acquire or construct the assets. Restricted net assets is the next largest component (15.0%). These represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets is the remaining portion (-1.1%) and may be used at the State's discretion, but often have limitations on use based on State statutes. The negative unrestricted net asset balance is primarily attributed to the State's long-term liabilities which any related offsetting assets are not the State's.

The net assets of business-type activities increased 2.7% to $4,611.1 million. The State generally can only use these net assets to finance the continuing operations of the universities, unemployment insurance and other business-type activities.

The State's combined net assets (governmental and business-type activities) increased from June 30, 2009 to June 30, 2010 as a result of an easing of the global financial crisis, and an increase in federal ARRA assistance.

Long-term liabilities increased 32.3% to $3,648.9 million due to an increase in accounts payable & accruals and bonds payable. The increase in accounts payable & accruals is primarily due to the accrual of $115.5 million in termination benefits for the State Employees' Retirement Incentive Program (SERIP) and a $14.0 million increase in the accrual of other postemployment benefits. The overall increase in bonds payable was $746.0 million. This increase is the result of new bond issuances totaling $640.7 million for IJOBS bonds and IUB Building bonds.

Other liabilities increased 16.5% to $2,560.5 million due to increases in unearned revenues and accounts payable. Unearned revenues increased $98.5 million due primarily to an $83.0 million increase in the drawing of federal funds to cover Medicaid provider payments. Accounts payable increased $240.0 million due largely to increases for disaster aid payable of $166.2 million and SERIP payable of $29.7 million.

Changes in Net Assets

The State's total net assets increased by $500.5 million during the year, as indicated in Table 3.

Table 3
Changes in Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2010	Restated 2009	2010	2009	2010	Restated 2009	2009-2010
Program revenues							
Charges for services	$ 1,757.1	$ 1,876.1	$ 3,080.5	$ 2,874.1	$ 4,837.6	$ 4,750.2	1.8%
Operating grants & contributions	5,309.4	4,345.3	1,333.0	987.7	6,642.4	5,333.0	24.6%
Capital grants & contributions	590.9	385.4	8.8	45.4	599.7	430.8	39.2%
General revenues							
Personal income tax	2,637.8	2,716.7	-	-	2,637.8	2,716.7	-2.9%
Corporate income tax	196.7	258.1	-	-	196.7	258.1	-23.8%
Sales & use tax	2,232.7	2,094.9	-	-	2,232.7	2,094.9	6.6%
Other tax	710.9	743.2	6.5	5.7	717.4	748.9	-4.2%
Motor fuel tax restricted for transportation purposes	436.6	436.7	-	-	436.6	436.7	0.0%
Road use tax restricted for transportation purposes	254.0	256.6	-	-	254.0	256.6	-1.0%
Unrestricted investment earnings (losses)	25.7	66.2	115.5	(25.4)	141.2	40.8	246.1%
Other	32.5	31.3	50.7	94.1	83.2	125.4	-33.7%
Total revenues	**14,184.3**	**13,210.5**	**4,595.0**	**3,981.6**	**18,779.3**	**17,192.1**	9.2%
Expenses							
Administration & regulation	1,289.7	1,259.5	-	-	1,289.7	1,259.5	2.4%
Education	3,447.9	3,502.9	-	-	3,447.9	3,502.9	-1.6%
Health & human rights	485.9	451.0	-	-	485.9	451.0	7.7%
Human services	4,953.9	4,652.0	-	-	4,953.9	4,652.0	6.5%
Justice & public defense	1,178.1	1,209.8	-	-	1,178.1	1,209.8	-2.6%
Economic development	351.6	329.9	-	-	351.6	329.9	6.6%
Transportation	1,239.7	1,084.3	-	-	1,239.7	1,084.3	14.3%
Agriculture & natural resources	212.6	211.0	-	-	212.6	211.0	0.8%
Interest expense	91.4	62.4	-	-	91.4	62.4	46.5%
University Funds	-	-	3,341.9	3,401.1	3,341.9	3,401.1	-1.7%
Unemployment Benefits Fund	-	-	1,258.0	872.0	1,258.0	872.0	44.3%
Other	-	-	412.1	396.7	412.1	396.7	3.9%
Total expenses	**13,250.8**	**12,762.8**	**5,012.0**	**4,669.8**	**18,262.8**	**17,432.6**	4.8%
Increase (decrease) in net assets before contributions, extraordinary item and transfers	933.5	447.7	(417.0)	(688.2)	516.5	(240.5)	314.8%
Contribution to University Endowments	-	-	(0.2)	0.4	(0.2)	0.4	-150.0%
Extraordinary item - impairment of assets and other	-	-	(15.8)	3.1	(15.8)	3.1	-609.7%
Transfers	(554.7)	(612.5)	554.7	612.5	-	-	0.0%
Increase (decrease) in net assets	**378.8**	**(164.8)**	**121.7**	**(72.2)**	**500.5**	**(237.0)**	311.2%
Net assets - July 1, restated	**7,616.1**	**7,780.9**	**4,489.4**	**4,561.6**	**12,105.5**	**12,342.5**	-1.9%
Net assets - June 30	**$ 7,994.9**	**$7,616.1**	**$4,611.1**	**$4,489.4**	**$12,606.0**	**$12,105.5**	4.1%

The State of Iowa received an additional $1,237.0 million and spent an additional $1,328.5 million in federal funds as a result of the American Recovery and Reinvestment Act of 2009 (ARRA), an increase of 317.8% and 343.9%, respectively, from FY2009. Additionally, $53.7 million more benefits were issued by the Department of Human Services to clients for the Supplemental Nutrition Assistance Program (SNAP) as a result of ARRA, an increase of 343.6% from FY2009.

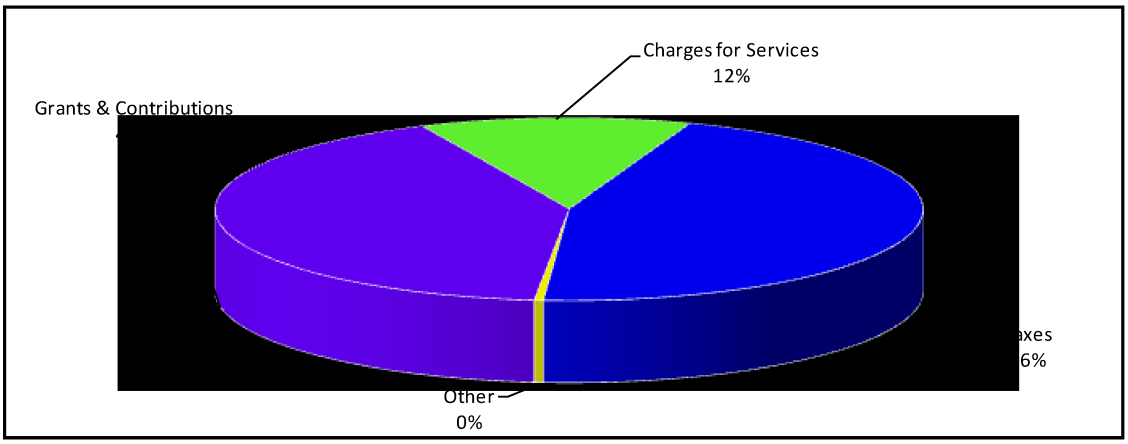
Governmental Activities

The largest fluctuations in program revenues were in operating grants and contributions and in capital grants and contributions with increases of $964.1 million and $205.5 million, respectively. The $392.0 million increase in Human Services operating grants and contributions is due largely to increased federal participation rates and additional participation in programs. Increases in administration & regulation, education, health & human rights, economic development and transportation operating grants and contributions are due to increases related to receipt of ARRA funds. The increase in capital grants and contributions of $192.4 million for transportation was due primarily to federal aid for construction projects.

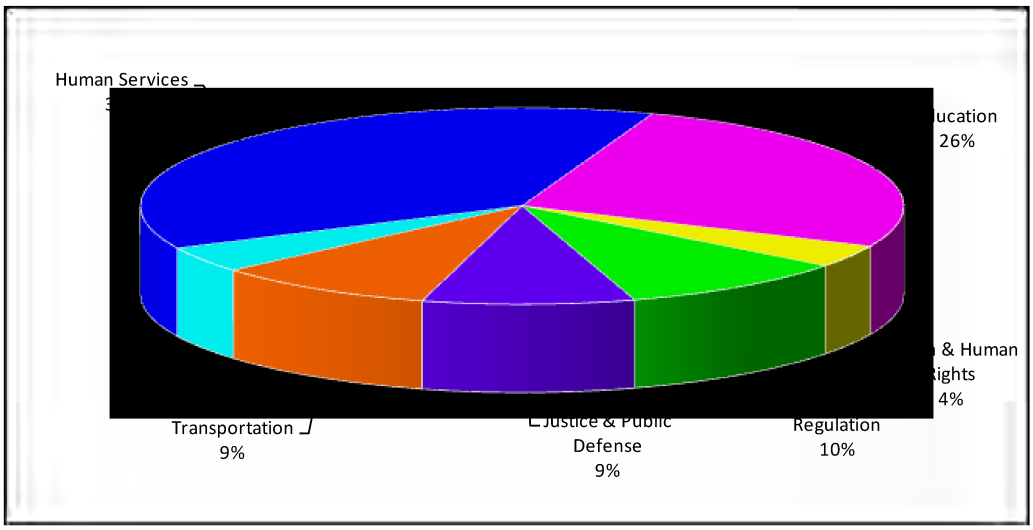
Decreases in general revenues were reflected in personal income and corporate income taxes as a result of the national economic recession. The increase in sales and use tax was a result of the improving state economy. Unrestricted investment earnings decreased due to lower returns on investments attributed to the lingering impact of the global financial crisis.

Overall, expenses for governmental activities increased due to elevated levels of participation in various programs offered by the Department of Human Services and increases related to the expenditure of ARRA funds, most significantly by the Department of Transportation.

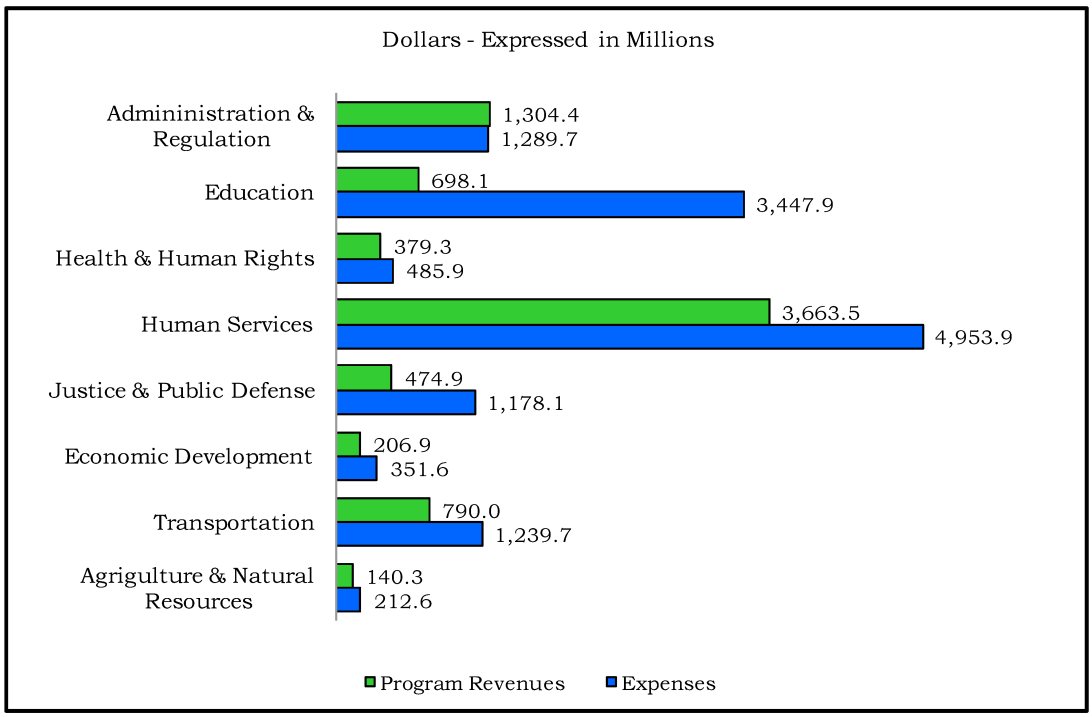
Revenues by Source



Expenses by Function



Program Revenues and Expenses



The cost of all governmental activities this fiscal year was $13,250.8 million. However, the amount that taxpayers paid for these activities through State taxes was $6,468.7 million. Part of the cost was paid by:

- Those who directly benefited from the programs ($1,757.1 million) or
- Other governments and organizations that subsidized certain programs with operating and capital grants and contributions ($5,900.3 million).

Business-type Activities

- University Funds had $3,341.9 million in expenses and $2,834.2 million in program revenues for net expenses of $507.7 million. The most significant change in revenues and expenses occurred in nonoperating revenues where investment income increased $159.2 million due to modest returns and a reversal of market losses. Assets increased $505.1 million to $6,330.9 million. This was due to an increase in capital assets of $154.6 million related to construction and an increase in cash and investments of $274.3 million. Liabilities increased $190.9 million, or 8.7%, over the previous year mainly due to the three Universities issuing $265.9 million in new bonds for construction and equipment for facilities.
- Unemployment Benefits Fund had $1,258.0 million in expenses and $1,046.2 million in program revenues for an overall net decrease in operating income of $211.8 million. The State's unemployment rate increased from 4.1% at December 31, 2008 to 6.0% at December 31, 2009, and contributed to a 44.3% increase in unemployment benefits paid. The increase in benefits paid of $386.0 million was partially offset by a $287.4 million increase in revenues from the federal government.

In total, business-type activities had net expenses of $589.6 million with $156.7 million in net general revenues and $554.7 million in transfers, for a net increase of $121.7 million, to end with net assets of $4,611.1 million.

Other business-type activities expenses increased $15.4 million and revenues increased $20.5 million. The Liquor Control Fund which accounts for the revenues and expenses related to the sale of alcoholic beverages experienced a $6.6 million increase in sales revenue and a $2.7 million increase in expenses. Honey Creek Park revenues increased $2.2 million and expenses increased $0.7 million as Park operations increased.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

The governmental funds reported total fund balances of $2,692.9 million, with $397.5 million in unreserved fund balance. Net revenues totaled $13,933.7 million with expenditures of $13,545.0 million.

General Fund

The General Fund is the chief operating fund of the State. Total fund balance increased from $1,923.9 million to $2,431.3 million and the unreserved fund balance increased from $802.8 million to $915.2 million. The unreserved fund balance included $442.0 million in "rainy day" funds, an $82.2 million decrease from the prior year.

Gross revenues of the General Fund increased $766.2 million in fiscal year 2010, due to an $89.9 million increase in fees, licenses & permits, a $944.3 million increase in receipts from other entities and a $243.2 decrease in taxes. The increase in fees, licenses & permits was due primarily to the TIME-21 legislative increase in motor vehicle registration fees and the Department of Human Services began collecting fees from nursing facilities to be used in Medicaid. Federal support increased as follows: the Department of Human Services ARRA related revenues increased by $142.7 million, the Department of Education ARRA related revenues increased by $90.6 million and the Department of Transportation ARRA related revenues increased $210.1 million; while the Federal Recovery and Reinvestment Fund related revenues increased by $343.8 million.

Executive Order 19 reduced state general fund appropriations by 10% or $564.4 million. However, General Fund expenditures increased $454.9 million to $13,302.3 million in fiscal year 2010 due mainly to ARRA related expenditures. The Department of Human Services ARRA related expenditures increased by $150.0 million, the Department of Education ARRA related expenditures increased by $293.8 million and the Department of Transportation ARRA related expenditures increased by $211.1 million; attributable to expanded participation in federal programs.

Tobacco Settlement Authority

The Tobacco Settlement Authority (Authority), a blended component unit of the State of Iowa classified as a Special Revenue Fund, receives money from the Tobacco Collections Fund to pay operating expenditures and for repayment of debt. The Authority's ending fund balance decreased $55.3 million to $647.7 million. The decrease was due to receipt of funds from the Tobacco Collections Fund which reduced the interfund advance (receivable). These funds were primarily used to pay principal and interest on bonds totaling $12.5 million and $44.3 million, respectively.

Tobacco Collections Fund

The Tobacco Collections Fund, a Special Revenue Fund, accounts for the tobacco settlement moneys received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The ending fund balance in the Tobacco Collections Fund increased $53.6 million to a deficit balance of $563.2 million. The increase is due to the reduction of the interfund advance (liability) for the tobacco settlement moneys remitted to the Tobacco Settlement Authority during the year.

Proprietary Funds

The State of Iowa's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of the University Funds increased $314.1 million to $3,934.1 million while unrestricted net assets increased $370.8 million to $1,340.3 million.

The total net assets of the Unemployment Benefits Fund, which are entirely restricted for unemployment benefits, decreased $200.9 million to end fiscal year 2010 at $588.7 million.

The Iowa Lottery Authority's operating revenues increased $12.9 million and operating expenses increased $14.4 million which is reflected by the $2.6 million decrease in transfers to the State's governmental funds.

Operating results for the Iowa Communications Network remained relatively constant with a 2.5% decrease in operating revenues and a 4.1% decrease in operating expenses.

Other factors concerning the finances of proprietary funds have already been addressed in the discussion of the State of Iowa's business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the State revised the budget several times. These budget amendments fall into four categories:

- Across-the-Board reductions - $564,444,610
- Supplemental appropriations - $113,108,034
- Legislatively approved reductions in appropriations - $14,713,546
- Adjustments to standing appropriations - $2,452,296

The originally enacted General Fund budget for fiscal year 2010 of $5,768.3 million was predicated on 3.6 percent reduction in General Fund revenues, as projected by the State's Revenue Estimating Conference (REC) on March 20, 2009. The March estimate reflected the expectation that revenue reduction would continue from the fiscal year 2009 estimate given the economic outlook.

At the October 7, 2009 meeting, the REC revised its fiscal year 2010 General Fund revenue estimate downward to $5,438.0 million. This was based upon the revised base of fiscal year 2009 and a continued concern about the national economy and its impact on state revenues. In response to this reduction, on October 8, 2009, Governor Culver issued Executive Order 19 which reduced state general fund appropriations by 10.0 percent or $564.4 million. On December 11, 2009, the REC again decreased the revenue estimate to $5,401.2 million. The decrease from the October 2009 meeting reflected an acknowledgment that the national economy was slowing down faster than expected. An additional revision was made at the March 11, 2010 meeting to increase the General Fund revenue estimate slightly to $5,402.1 million.

During the 2010 legislative session, the General Assembly approved a reduction in appropriations of $14.7 million. The General Assembly also approved the backfilling of various appropriations through supplemental appropriations of a total of $113.1 million.

The State of Iowa has various statutory standing appropriations where a fixed amount is not appropriated. These are either formula-driven (in the case of the largest General Fund appropriation, for school foundation aid to local school districts), or for items such as paying claims against the State through the State Appeal Board. These are either increases or decreases to the estimates made at the beginning of the year. For fiscal year 2010, these standing appropriations exceeded the original estimates by $2.5 million. The largest variance was for claims with the State Appeal Board which were $5.1 million over the original estimate and school foundation aid $3.3 million under the original estimate. A variety of other appropriations made up the balance of the changes to standing appropriations.

During April, May and June of 2010, and throughout the accrual period, actual General Fund revenue collections continued to come in above the official REC projections. At the close of the fiscal year, revenue collections totaled $5,633.8 million which is a 4.2 percent reduction from fiscal year 2009. As a result, after taking into account transfers to the Senior Living Trust fund of $48.3 million, the General Fund budgetary ending balance for fiscal year 2010, statutorily required to be transferred to the Cash Reserve Fund in fiscal year 2011, totaled $287.3 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the State had $10,470.8 million invested in capital assets, net of accumulated depreciation of $8,109.4 million. Depreciation charges totaled $672.9 million in 2010. The details of these assets are presented in Table 4. Additional information about the State's capital assets is presented in NOTE 6 of the financial statements.

Table 4

Capital Aseets, Net of Depreciation
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2010	Restated 2009	2010	2009	2010	Restated 2009	2009-2010
Land	$ 681.9	$ 655.6	$ 44.3	$ 41.9	$ 726.2	$ 697.5	4.1%
Buildings and improvements	701.6	644.9	1,991.5	1,894.0	2,693.1	2,538.9	6.1%
Equipment	185.1	187.6	328.5	391.9	513.6	579.5	-11.4%
Land improvements	26.1	25.4	27.5	27.9	53.6	53.3	0.6%
Works of art and collections	1.3	1.4	322.2	309.4	323.5	310.8	4.1%
Computer software	5.6	1.6	45.4	-	51.0	1.6	3087.5%
Infrastructure	5,196.4	4,918.7	287.8	292.6	5,484.2	5,211.3	5.2%
Construction in progress	125.1	101.8	470.6	425.0	595.7	526.8	13.1%
Computer software in progress	12.9	-	17.0	-	29.9	-	100.0%
Total	$6,936.0	$6,537.0	$3,534.8	$3,382.7	$10,470.8	$ 9,919.7	5.6%

Outstanding commitments for future capital expenditures, as of June 30, 2010, include $417.6 million for highway and bridge construction, $171.3 million for various projects at the three State universities, $35.4 million for State facilities and buildings, $5.5 million for the Iowa State Fair fairgrounds and $4.3 million for State parks, recreational areas, fisheries and wetland projects.

Long-term Debt

At year-end, the State had $3,085.3 million in bonds, certificates of participation and leases and other financing arrangements outstanding as shown in Table 5. More detailed information about the State's long-term liabilities is presented in NOTE 8 to the financial statements.

Table 5

State of Iowa's Outstanding Debt
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenue bonds	$1,631.9	$1,017.6	$1,281.9	$1,142.9	$ 2,913.8	$ 2,160.5	34.9%
Certificates of participation	0.2	0.4	-	-	0.2	0.4	-50.0%
Leases and other financing arrangements	7.9	6.9	163.4	169.2	171.3	176.1	-2.7%
Total	$1,640.0	$1,024.9	$1,445.3	$1,312.1	$ 3,085.3	$ 2,337.0	32.0%

Revenue bonds issued by the State and its various authorities totaled $4,766.4 million outstanding at fiscal year-end. This amount consisted of $1,852.6 million of component unit (proprietary) revenue bonds (Iowa Finance Authority and Iowa State University Foundation), $1,281.9 million in revenue bonds issued by the three State universities and Iowa Lottery Authority (for equipment and facilities), $757.3 million in revenue bonds issued by the Tobacco Settlement Authority, $33.6 million in revenue bonds issued by the Honey Creek Authority, $37.9 million in revenue bonds issued by the Iowa Finance Authority for the Department of Corrections, $12.6 million in

revenue bonds issued by the State of Iowa for the Iowa Utilities Board, $626.1 million in revenue bonds issued by the State of Iowa for the IJOBS program and $164.4 million in revenue bonds issued by the State of Iowa for the Vision Iowa Program and the School Infrastructure Loan Program. These bonds are backed by the revenues of the issuing program or authority.

Certificates of Participation (COPS) issued by the State and outstanding at fiscal year-end amounted to $0.2 million. COPS represent an ownership interest of the certificate holder in a lease purchase agreement.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During fiscal year 2010, the Center for Budget and Policy Priorities estimated states dealt with $191 billion in budget shortfalls. The Center estimates for fiscal year 2011, budget shortfalls nation-wide will be $160 billion with at least 46 states currently dealing with budget issues. Iowa has dealt with budget shortfalls in fiscal year 2010 and has no shortfalls in fiscal year 2011.

The Governor and General Assembly finished their work on March 30, 2010, on the 79th day of the originally anticipated 100 day second session of the 83rd General Assembly, fashioning the General Fund budget for fiscal year 2011. Amounts available for appropriation based on the 99 percent budget limitation in the General Fund budget were $5,371.1 million. General Fund appropriations totaled $5,279.2 million, a decrease of $23.0 million from the estimated 2010 General Fund budget.

In June and July 2010, Iowa was hit by storms and flooding. On July 24, 2010, water breeched the Delhi dam in Delaware County, causing the dam to collapse. 59 out of 99 counties throughout Iowa have been declared Presidential disaster counties. On August 6, 2010, Governor Culver formed a task force charged with reviewing all opportunities on how to deal with the Delhi dam disaster. The report was due on December 1, 2010. Currently, the performance of duty appropriation may be used to pay for the state's share of damages, but it is too early in the process to put a dollar estimate on that liability, which is expected to be paid out over multiple years.

At the REC meeting in October 2010, the fiscal year 2011 revenue estimate was increased from a revised $5,459.8 million to $5,757.5 million, largely as a reflection of actual revenue collections in fiscal year 2010 and current year to date revenue growth and the anticipated continued slow growth of tax revenues that is reflective of the slight rebound in the national and state economies. The revised estimate reflects projected revenue growth of 2.2 percent compared to actual revenues for the previous fiscal year.

Recent revenue performance has been slow, which is reflective of the sluggish growth of the national and state economies. Iowa's unemployment rate was at 6.7 percent in October 2010, the same as the revised rate for September 2010, but lower than the national rate of 9.6 percent, showing Iowa has been able to withstand the national trends, with Iowa's labor market holding its own in spite of the turmoil nationally in the financial market and the housing slowdown.

The National Bureau of Economic Research issued a report on September 20, 2010, stating that the recession that started in December 2007 ended in June 2009. However, the transition to a self-sustaining expansion has been and will continue to be less than easy. The expectation is that the jobless rate will not change much over the next year with job creation to take longer to develop than has happened in past recessions. Real gross domestic product is estimated to have grown 2.0 percent in the third quarter of calendar year 2009, however much of that growth is driven by monetary and fiscal stimulus. Moody's Economy.com does not expect a self-sustaining economic expansion to kick in until the second half of 2011.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, legislators, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Iowa Department of Administrative Services
State Accounting Enterprise
Hoover State Office Building
Des Moines, IA 50319

BASIC FINANCIAL STATEMENTS

STATE OF IOWA

Statement of Net Assets

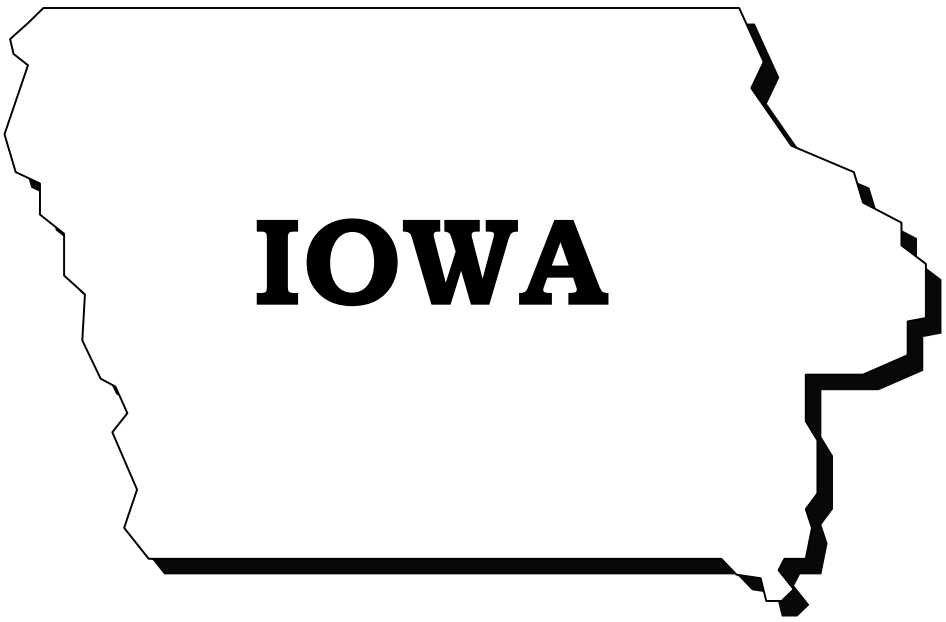
June 30, 2010
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current assets:				
Cash & investments	$ 2,559,307	$ 1,966,796	$ 4,526,103	$ 1,286,674
Cash & investments - restricted	-	99,985	99,985	169,370
Deposits with trustees	7,667	41,651	49,318	-
Accounts receivable (net)	1,820,565	688,838	2,509,403	74,869
Interest receivable	435	3,822	4,257	8,376
Loans receivable (net)	19,048	6,523	25,571	45,903
Internal balances	45,472	(45,472)	-	-
Inventory	21,729	64,966	86,695	306
Prepaid expenses	21,039	27,591	48,630	361
Deferred charges	457	-	457	-
Other assets	-	100	100	3,312
Investment in prize annuity	-	2,096	2,096	-
Total current assets	4,495,719	2,856,896	7,352,615	1,589,171
Noncurrent assets:				
Cash & investments	-	570,088	570,088	392,372
Cash & investments - restricted	79,663	-	79,663	1,485,219
Accounts receivable (net)	67,909	20,646	88,555	154,591
Interest receivable	-	493	493	-
Loans receivable (net)	144,061	62,200	206,261	900,506
Capital assets - nondepreciable	819,861	813,258	1,633,119	16,688
Capital assets - depreciable (net)	6,116,126	2,721,534	8,837,660	75,384
Prepaid expenses	-	177	177	-
Deferred charges	8,027	-	8,027	-
Other assets	-	25,698	25,698	46,999
Investment in prize annuity	-	8,647	8,647	-
Prize deposit	-	4,359	4,359	-
Total noncurrent assets	7,235,647	4,227,100	11,462,747	3,071,759
TOTAL ASSETS	**11,731,366**	**7,083,996**	**18,815,362**	**4,660,930**

The notes are an integral part of the financial statements.

(continued on next page)

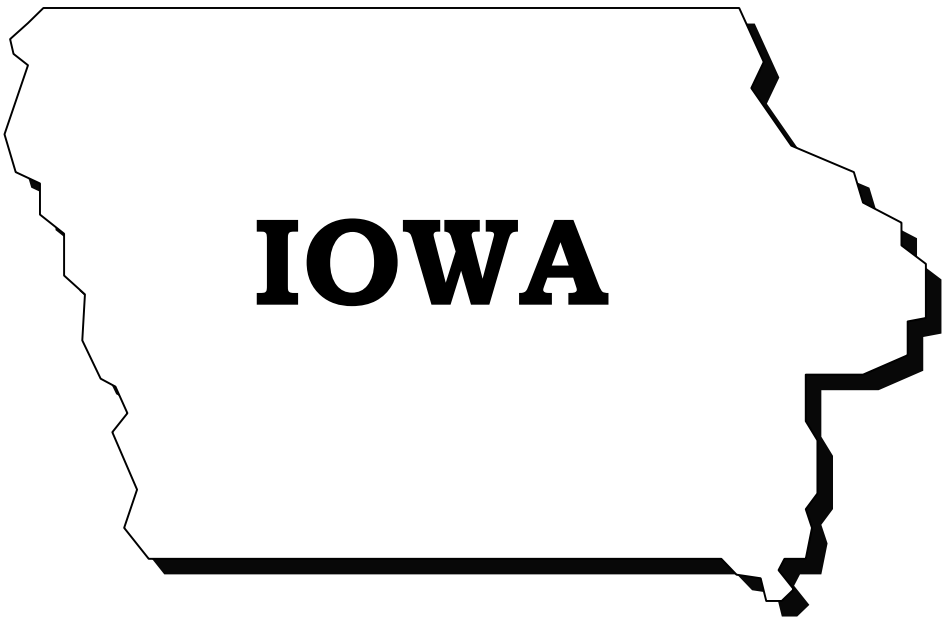
	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	1,356,118	354,176	1,710,294	99,568
Interest payable	9,646	26,864	36,510	31,714
Unearned revenue	150,084	100,275	250,359	-
Compensated absences	129,140	66,398	195,538	1,521
Capital leases	705	8,797	9,502	610
Bonds payable	85,454	52,454	137,908	351,895
Other financing arrangements payable	394	883	1,277	-
Annuities payable	-	2,096	2,096	-
Lottery prizes payable	-	2,295	2,295	-
Funds held in custody	-	214,600	214,600	66,698
Total current liabilities	1,731,541	828,838	2,560,379	552,006
Noncurrent liabilities:				
Accounts payable & accruals	286,468	88,130	374,598	102,565
Unearned revenue	-	4,817	4,817	-
Compensated absences	164,964	105,441	270,405	766
Capital leases	4,829	130,610	135,439	5,685
Bonds payable	1,546,491	1,229,434	2,775,925	1,500,714
Other financing arrangements payable	2,145	23,119	25,264	-
Annuities payable	-	8,647	8,647	-
Lottery prizes payable	-	4,359	4,359	-
Funds held in custody	-	49,466	49,466	4,428
Total noncurrent liabilities	2,004,897	1,644,023	3,648,920	1,614,158
TOTAL LIABILITIES	**3,736,438**	**2,472,861**	**6,209,299**	**2,166,164**
NET ASSETS				
Invested in capital assets, net of related debt	6,880,376	2,270,200	9,150,576	79,549
Restricted for:				
Education	91,286	-	91,286	-
Justice & public defense	150,506	-	150,506	-
Economic development	106,908	-	106,908	-
Transportation	597,272	-	597,272	-
Agriculture & natural resources	59,508	-	59,508	-
Capital projects	30,112	-	30,112	-
University Funds - expendable	-	336,964	336,964	-
University Funds - nonexpendable	-	65,509	65,509	-
Permanent Funds - nonexpendable	25,452	-	25,452	-
Unemployment Benefits Fund	-	588,651	588,651	-
Other	140,234	-	140,234	2,370,631
Unrestricted	(86,726)	1,349,811	1,263,085	44,586
TOTAL NET ASSETS	**$ 7,994,928**	**$ 4,611,135**	**$ 12,606,063**	**$ 2,494,766**


IOWA

STATE OF IOWA
Statement of Activities
For the Year Ended June 30, 2010
(Expressed in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS & CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS & CONTRIBUTIONS	NET (EXPENSES) REVENUES & CHANGES IN NET ASSETS: PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT: TOTAL	COMPONENT UNITS
PRIMARY GOVERNMENT:								
Governmental activities:								
Administration & regulation	$ 1,289,713	$ 899,684	$ 404,757	$ -	$ 14,728	$	$ 14,728	
Education	3,447,890	54,219	643,846	-	(2,749,825)		(2,749,825)	
Health & human rights	485,902	60,903	302,851	15,529	(106,619)		(106,619)	
Human services	4,953,873	465,890	3,197,577	-	(1,290,406)		(1,290,406)	
Justice & public defense	1,178,089	102,600	372,340	-	(703,149)		(703,149)	
Economic development	351,635	3,423	203,467	-	(144,745)		(144,745)	
Transportation	1,239,669	84,291	138,294	567,461	(449,623)		(449,623)	
Agriculture & natural resources	212,590	86,086	46,234	7,936	(72,334)		(72,334)	
Interest expense	91,432	-	-	-	(91,432)		(91,432)	
Total governmental activities	**13,250,793**	**1,757,096**	**5,309,366**	**590,926**	**(5,593,405)**		**(5,593,405)**	
Business-type activities:								
University Funds	3,341,877	2,064,853	760,565	8,801		(507,658)	(507,658)	
Unemployment Benefits Fund	1,258,041	474,465	571,726	-		(211,850)	(211,850)	
Other	412,092	541,213	750	-		129,871	129,871	
Total business-type activities	**5,012,010**	**3,080,531**	**1,333,041**	**8,801**		**(589,637)**	**(589,637)**	
TOTAL PRIMARY GOVERNMENT	**$ 18,262,803**	**$ 4,837,627**	**$ 6,642,407**	**$ 599,727**	**(5,593,405)**	**(589,637)**	**(6,183,042)**	
COMPONENT UNITS:								
Iowa Finance Authority	$ 211,130	$ 16,416	$ 136,856	$ -				$ (57,858)
Iowa Higher Education Loan Authority	210	-	-	-				(210)
Iowa Agricultural Development Authority	574	434	25	-				(115)
Iowa State Fair Authority	17,925	17,697	1,099	896				1,767
University of Iowa Foundation	78,165	-	68,704	-				(9,461)
Iowa State University Foundation	56,590	-	61,940	-				5,350
University of Northern Iowa Foundation	11,847	-	14,240	-				2,393
TOTAL COMPONENT UNITS	**$ 376,441**	**$ 34,547**	**$ 282,864**	**$ 896**				**(58,134)**
GENERAL REVENUES:								
Personal income tax					2,637,753	-	2,637,753	-
Corporate income tax					196,723	-	196,723	-
Sales & use tax					2,232,711	-	2,232,711	-
Other tax					710,946	6,459	717,405	-
Motor fuel tax restricted for transportation purposes					436,567	-	436,567	-
Road use tax restricted for transportation purposes					254,016	-	254,016	-
Unrestricted investment earnings					25,738	115,519	141,257	275,418
Other					31,571	50,678	82,249	35,038
Gain on sale of assets					842	101	943	-
Contribution to University Endowments					-	(250)	(250)	-
Extraordinary item - impairment of assets and other					-	(15,785)	(15,785)	-
Transfers					(554,656)	554,656	-	-
TOTAL GENERAL REVENUES, CONTRIBUTIONS, EXTRAORDINARY ITEM & TRANSFERS					**5,972,211**	**711,378**	**6,683,589**	**310,456**
CHANGE IN NET ASSETS					**378,806**	**121,741**	**500,547**	**252,322**
NET ASSETS - JULY 1, RESTATED					**7,616,122**	**4,489,394**	**12,105,516**	**2,242,444**
NET ASSETS - JUNE 30					**$ 7,994,928**	**$ 4,611,135**	**$ 12,606,063**	**$ 2,494,766**

The notes are an integral part of the financial statements.


IOWA

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Funds

General Fund - This is the State's operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

Tobacco Settlement Authority - The Tobacco Settlement Authority, a blended component unit of the State of Iowa, receives money from the Tobacco Collections Fund to pay for operating expenditures and repayment of debt.

Tobacco Collections Fund - The Tobacco Collections Fund accounts for tobacco settlement monies received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The funds are then distributed to the Tobacco Settlement Authority and the Endowment for Iowa's Health Fund pursuant to the terms of a Sales Agreement (dated October 1, 2001, and amended November 1, 2005) between the State and the Tobacco Settlement Authority.

Nonmajor Governmental Funds are presented, by fund type, in the Supplementary Information section.

STATE OF IOWA

Balance Sheet
Governmental Funds

June 30, 2010
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Current assets:					
Cash & investments	$ 2,375,153	$ 84,503	$ -	$ 147,452	$ 2,607,108
Deposits with trustees	4,138	-	-	3,529	7,667
Accounts receivable (net)	1,766,936	213	33,267	19,223	1,819,639
Loans receivable (net)	18,644	-	-	404	19,048
Due from other funds	22,465	50,729	-	4,290	77,484
Inventory	13,007	-	-	103	13,110
Prepaid expenditures	18,942	-	-	44	18,986
Total current assets	4,219,285	135,445	33,267	175,045	4,563,042
Noncurrent assets:					
Accounts receivable (net)	67,677	-	-	232	67,909
Loans receivable (net)	141,147	-	-	2,914	144,061
Due from other funds/ advances to other funds	-	512,504	-	28,000	540,504
Total noncurrent assets	208,824	512,504	-	31,146	752,474
TOTAL ASSETS	**$ 4,428,109**	**$ 647,949**	**$ 33,267**	**$ 206,191**	**$ 5,315,516**
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	$ 1,253,322	$ 104	$ -	$ 20,164	$ 1,273,590
Due to other funds/ advances from other funds	61,073	158	50,724	6,622	118,577
Deferred revenue	611,819	-	33,267	2,218	647,304
Total current liabilities	1,926,214	262	83,991	29,004	2,039,471
Noncurrent liabilities:					
Accounts payable & accruals	-	-	-	13	13
Due to other funds/ advances from other funds	2,962	-	512,504	-	515,466
Deferred revenue	67,677	-	-	2	67,679
Total noncurrent liabilities	70,639	-	512,504	15	583,158
TOTAL LIABILITIES	**1,996,853**	**262**	**596,495**	**29,019**	**2,622,629**
FUND BALANCES					
Reserved for:					
Encumbrances & contracts	88,709	-	-	-	88,709
Inventory & prepaid expenditures	31,949	-	-	147	32,096
Noncurrent receivables	141,147	512,504	-	31,144	684,795
Specific purposes	1,254,296	135,183	-	100,264	1,489,743
Unreserved fund equity	915,155	-	(563,228)	-	351,927
Unreserved, reported in:					
Special revenue funds	-	-	-	23,861	23,861
Capital projects funds	-	-	-	21,756	21,756
TOTAL FUND BALANCES	**2,431,256**	**647,687**	**(563,228)**	**177,172**	**2,692,887**
TOTAL LIABILITIES & FUND BALANCES	**$ 4,428,109**	**$ 647,949**	**$ 33,267**	**$ 206,191**	**$ 5,315,516**

The notes are an integral part of the financial statements.

STATE OF IOWA

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

June 30, 2010
(Expressed in Thousands)

Total fund balances - governmental funds		**$ 2,692,887**
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets, excluding internal service funds, is $11,897,262 and the accumulated depreciation is $(5,056,383).		6,840,879
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		129,232
Certain revenues are earned but not available and, therefore, deferred in the funds.		572,357
Deferred issue costs are reported as current expenditures in the funds. However, deferred issue costs are amortized over the life of the bonds and are included as deferred charges in the governmental activities in the Statement of Net Assets.		8,486
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable	$ (1,631,945)	
Accrued interest payable	(9,646)	
Compensated absences	(288,733)	
Capital leases	(5,534)	
Other financing arrangements payable	(2,539)	
Pollution remediation	(46,859)	
Termination benefits	(158,810)	
Risk management liability	(18,000)	
Net pension liability	(43,312)	
Other postemployment benefits	(42,087)	
Other long-term liabilities	(1,448)	
Total long-term liabilities		(2,248,913)
Net assets of governmental activities		**$ 7,994,928**

The notes are an integral part of the financial statements.

STATE OF IOWA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2010
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	$ 7,089,985	$ -	$ -	$ -	$ 7,089,985
Receipts from other entities	6,002,491	-	-	73,502	6,075,993
Investment income	19,740	2,657	-	4,043	26,440
Fees, licenses & permits	1,064,768	-	-	12,896	1,077,664
Refunds & reimbursements	350,956	-	68,670	45,670	465,296
Sales, rents & services	30,551	-	-	4,069	34,620
Miscellaneous	107,391	-	-	11,105	118,496
Contributions	-	-	-	55	55
GROSS REVENUES	**14,665,882**	**2,657**	**68,670**	**151,340**	**14,888,549**
Less revenue refunds	942,441	-	-	12,411	954,852
NET REVENUES	**13,723,441**	**2,657**	**68,670**	**138,929**	**13,933,697**
EXPENDITURES					
Current:					
Administration & regulation	1,268,344	1,097	-	3,273	1,272,714
Education	3,341,173	-	-	93,500	3,434,673
Health & human rights	464,812	-	-	7,400	472,212
Human services	4,897,619	-	-	175	4,897,794
Justice & public defense	1,106,023	-	-	1,786	1,107,809
Economic development	343,680	-	-	177	343,857
Transportation	547,577	-	-	2,615	550,192
Agriculture & natural resources	180,580	-	-	8,769	189,349
Capital outlay	1,104,086	-	-	57,111	1,161,197
Debt service:					
Principal	10,440	12,510	-	6,140	29,090
Interest & fiscal charges	37,988	44,350	-	3,770	86,108
TOTAL EXPENDITURES	**13,302,322**	**57,957**	**-**	**184,716**	**13,544,995**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**421,119**	**(55,300)**	**68,670**	**(45,787)**	**388,702**
OTHER FINANCING SOURCES (USES)					
Transfers in	273,924	-	-	179,430	453,354
Transfers out	(819,636)	-	(15,107)	(169,488)	(1,004,231)
Leases, installment purchases & other	2,287	-	-	53	2,340
Revenue bonds issued	602,636	-	-	11,074	613,710
Premium on revenue bonds	28,317	-	-	-	28,317
Discount on revenue bonds	(1,290)	-	-	-	(1,290)
TOTAL OTHER FINANCING SOURCES (USES)	**86,238**	**-**	**(15,107)**	**21,069**	**92,200**
NET CHANGE IN FUND BALANCES	**507,357**	**(55,300)**	**53,563**	**(24,718)**	**480,902**
FUND BALANCES - JULY 1, RESTATED	**1,923,899**	**702,987**	**(616,791)**	**201,890**	**2,211,985**
FUND BALANCES - JUNE 30	**$ 2,431,256**	**$ 647,687**	**$ (563,228)**	**$ 177,172**	**$ 2,692,887**

The notes are an integral part of the financial statements.

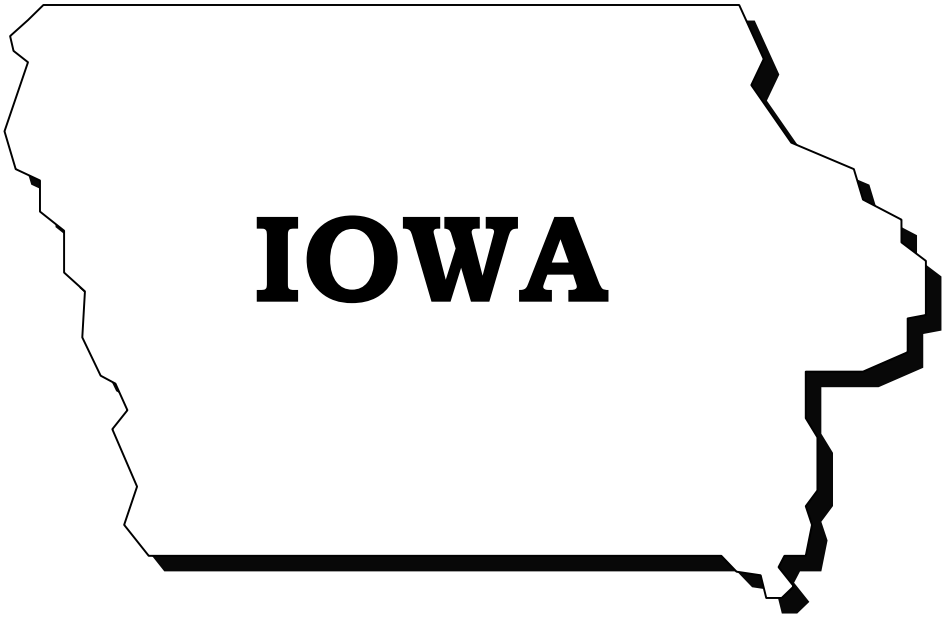
STATE OF IOWA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2010
(Expressed in Thousands)

Net change in fund balances – total governmental funds			**$ 480,902**
Amounts reported for governmental activities in the Statement of Activities are different because:			
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:			
Capital outlay	$ 818,311		
Depreciation expense	(421,910)		
Excess of capital outlay over depreciation expense			396,401
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.			(3,640)
Some capital additions were financed through capital leases, other financing arrangements and installment purchases. In governmental funds, these financing arrangements are considered a source of funding, but in the Statement of Net Assets, the obligations are reported as liabilities. In the current year, these amounts consist of:			
Revenue bonds			(640,738)
Capital leases			(2,340)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:			
Bond principal retirement	29,090		
Capital lease payments	1,225		
Other financing arrangements payments	382		
Total long-term debt repayment			30,697
Internal service funds are used by management to charge the cost of certain activities to individual funds. A portion of the net revenue of the internal services funds is reported with governmental activities.			754
Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered available revenues and are deferred in the governmental funds.			250,596
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:			
Compensated absences	29,824		
Early retirement liability/termination benefits	(145,941)		
Pension liability	(6,919)		
Other	(10,790)		
Total additional expenditures			(133,826)
Change in net assets of governmental activities			**$ 378,806**

The notes are an integral part of the financial statements.


IOWA

PROPRIETARY FUND FINANCIAL STATEMENTS

Major Funds

University Funds are maintained to account for the operations of the State's public institutions of higher education. The State University of Iowa, Iowa State University and the University of Northern Iowa comprise this group.

Unemployment Benefits Fund receives federal funds and contributions from employers to provide benefits to eligible unemployed workers.

Nonmajor Proprietary Funds are presented by fund in the Supplementary Information section.

STATE OF IOWA

Statement of Net Assets
Proprietary Funds

June 30, 2010
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current assets:					
Cash & investments	$ 1,510,149	$ 408,099	$ 46,145	$ 1,964,393	$ 34,265
Cash & investments - restricted	99,985	-	-	99,985	-
Deposits with trustees	41,651	-	-	41,651	-
Accounts receivable (net)	455,560	209,680	23,598	688,838	926
Interest receivable	3,769	-	53	3,822	-
Loans receivable (net)	6,523	-	-	6,523	-
Due from other funds/advances to other funds	-	1,469	20	1,489	67,448
Inventory	52,208	-	12,758	64,966	8,619
Prepaid expenses	26,962	-	629	27,591	2,053
Other assets	100	-	-	100	-
Investment in prize annuity	-	-	2,096	2,096	-
Total current assets	2,196,907	619,248	85,299	2,901,454	113,311
Noncurrent assets:					
Cash & investments	570,088	-	-	570,088	-
Accounts receivable	20,646	-	-	20,646	-
Interest receivable	493	-	-	493	-
Loans receivable (net)	62,200	-	-	62,200	-
Due from other funds/advances to other funds	-	2,962	-	2,962	-
Capital assets - nondepreciable	761,732	-	51,526	813,258	-
Capital assets - depreciable (net)	2,692,911	-	28,623	2,721,534	95,108
Prepaid expenses	177	-	-	177	-
Other assets	25,698	-	-	25,698	-
Investment in prize annuity	-	-	8,647	8,647	-
Prize deposit	-	-	4,359	4,359	-
Total noncurrent assets	4,133,945	2,962	93,155	4,230,062	95,108
TOTAL ASSETS	**6,330,852**	**622,210**	**178,454**	**7,131,516**	**208,419**
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	308,769	27,989	16,231	352,989	28,364
Due to other funds/advances from other funds	-	1,847	15,235	17,082	10,762
Interest payable	26,860	-	4	26,864	-
Unearned revenue	95,564	3,723	988	100,275	7,023
Compensated absences	64,266	-	2,132	66,398	2,718
Capital leases	8,797	-	-	8,797	-
Bonds payable	52,354	-	100	52,454	-
Other financing arrangements payable	883	-	-	883	-
Annuities payable	-	-	2,096	2,096	-
Lottery prizes payable	-	-	2,295	2,295	-
Funds held in custody	214,600	-	-	214,600	-
Total current liabilities	772,093	33,559	39,081	844,733	48,867
Noncurrent liabilities:					
Accounts payable & accruals	85,348	-	2,782	88,130	31,292
Due to other funds/advances from other funds	-	-	28,000	28,000	-
Unearned revenue	4,817	-	-	4,817	-
Compensated absences	103,063	-	2,378	105,441	2,653
Capital leases	130,610	-	-	130,610	-
Bonds payable	1,228,234	-	1,200	1,229,434	-
Other financing arrangements payable	23,119	-	-	23,119	-
Annuities payable	-	-	8,647	8,647	-
Lottery prizes payable	-	-	4,359	4,359	-
Funds held in custody	49,466	-	-	49,466	-
Total noncurrent liabilities	1,624,657	-	47,366	1,672,023	33,945
TOTAL LIABILITIES	**2,396,750**	**33,559**	**86,447**	**2,516,756**	**82,812**
NET ASSETS					
Invested in capital assets, net of related debt	2,191,349	-	78,851	2,270,200	95,108
Restricted for:					
Expendable	336,964	-	-	336,964	-
Nonexpendable	65,509	-	-	65,509	-
Unemployment benefits	-	588,651	-	588,651	-
Unrestricted	1,340,280	-	13,156	1,353,436	30,499
TOTAL NET ASSETS	**$ 3,934,102**	**$ 588,651**	**$ 92,007**	4,614,760	**$ 125,607**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(3,625)	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES				**$ 4,611,135**	

The notes are an integral part of the financial statements.

STATE OF IOWA

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

For the Year Ended June 30, 2010
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES					
Employer contributions	$ -	$ 474,465	$ -	$ 474,465	$ -
Receipts from other entities	112	571,726	750	572,588	113,100
Fees, licenses & permits	1,515,584	-	14,935	1,530,519	6
Refunds & reimbursements	-	-	333	333	65,680
Sales, rents & services	295,710	-	523,912	819,622	1,961
Grants & contracts	635,378	-	-	635,378	-
Independent/auxiliary operations	253,559	-	-	253,559	-
Miscellaneous	25,177	-	2,033	27,210	8,105
TOTAL OPERATING REVENUES	**2,725,520**	**1,046,191**	**541,963**	**4,313,674**	**188,852**
OPERATING EXPENSES					
General & administrative	-	-	10,693	10,693	-
Scholarship & fellowship	36,894	-	-	36,894	-
Depreciation	229,473	-	6,097	235,570	15,416
Direct expense	-	-	38,206	38,206	-
Prize expense	-	-	150,454	150,454	-
Personal services	2,005,468	-	6,995	2,012,463	34,252
Travel & subsistence	31,542	-	491	32,033	19,868
Supplies & materials	419,338	-	3,620	422,958	53,933
Contractual services	89,374	-	40,086	129,460	27,266
Equipment & repairs	441,243	-	81	441,324	16,118
Claims & miscellaneous	18,874	-	151,039	169,913	19,582
Licenses, permits & refunds	3,328	-	709	4,037	287
State aid & credits	-	1,258,041	3,585	1,261,626	-
TOTAL OPERATING EXPENSES	**3,275,534**	**1,258,041**	**412,056**	**4,945,631**	**186,722**
OPERATING INCOME (LOSS)	**(550,014)**	**(211,850)**	**129,907**	**(631,957)**	**2,130**
NONOPERATING REVENUES (EXPENSES)					
Gifts	125,186	-	-	125,186	-
Taxes	-	-	6,459	6,459	-
Investment income	97,518	17,483	518	115,519	185
Interest expense	(49,497)	-	(46)	(49,543)	(155)
Miscellaneous revenues	25,390	-	-	25,390	-
Miscellaneous expenses	(8,178)	-	-	(8,178)	-
Gain (loss) on sale of capital assets	(10,013)	-	76	(9,937)	(26)
NET NONOPERATING REVENUES	**180,406**	**17,483**	**7,007**	**204,896**	**4**
INCOME (LOSS) BEFORE CONTRIBUTIONS, EXTRAORDINARY ITEM & TRANSFERS	**(369,608)**	**(194,367)**	**136,914**	**(427,061)**	**2,134**
Capital contributions & grants	8,801	-	3,779	12,580	-
Additions to endowments	(250)	-	-	(250)	-
Extraordinary item - impairment of assets & other	(15,785)	-	-	(15,785)	-
Transfers in	690,982	-	7,287	698,269	-
Transfers out	-	(6,528)	(140,864)	(147,392)	-
CHANGE IN NET ASSETS	**314,140**	**(200,895)**	**7,116**	**120,361**	**2,134**
TOTAL NET ASSETS - JULY 1	**3,619,962**	**789,546**	**84,891**		**123,473**
TOTAL NET ASSETS - JUNE 30	**$ 3,934,102**	**$ 588,651**	**$ 92,007**		**$ 125,607**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				1,380	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES				**$ 121,741**	

The notes are an integral part of the financial statements.

STATE OF IOWA

Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2010
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers/students	$ 2,045,106	$ -	$ 533,039	$ 2,578,145	$ -
Cash received from miscellaneous	52,276	-	2,371	54,647	-
Cash received from employers	-	408,362	-	408,362	-
Cash received from other entities	585,361	571,726	-	1,157,087	14,756
Cash received from reciprocal interfund activity	-	-	-	-	176,102
Cash payments to suppliers for goods & services	(1,108,059)	-	(230,472)	(1,338,531)	(125,167)
Cash payments to employees/students for services	(1,921,814)	-	(24,903)	(1,946,717)	(46,393)
Cash payments for interfund transactions	-	(547)	-	(547)	-
Cash payments for prizes	-	-	(153,358)	(153,358)	-
Cash payments for unemployment claims	-	(1,269,012)	-	(1,269,012)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(347,130)**	**(289,471)**	**126,677**	**(509,924)**	**19,298**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	650,958	-	7,287	658,245	-
Transfers out to other funds	-	(6,565)	(141,975)	(148,540)	-
Receipts from related agencies	966,482	-	-	966,482	-
Payments to related agencies	(948,870)	-	-	(948,870)	-
Other receipts	2,516	-	-	2,516	-
Other payments	(2,351)	-	-	(2,351)	-
Proceeds from noncapital gifts	125,158	-	-	125,158	-
Interest payments	-	-	-	-	(155)
Tax receipts	-	-	6,459	6,459	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**793,893**	**(6,565)**	**(128,229)**	**659,099**	**(155)**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Acquisition & construction of capital assets	(406,601)	-	272	(406,329)	(21,705)
Interest payments	(49,341)	-	(46)	(49,387)	-
Debt payments	(83,871)	-	(100)	(83,971)	-
Capital grants & contributions	18,108	-	-	18,108	-
Debt proceeds	213,682	-	-	213,682	-
Proceeds from sale of capital assets	915	-	32	947	-
Other capital & related financing activities	42,043	-	-	42,043	-
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	**(265,065)**	**-**	**158**	**(264,907)**	**(21,705)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest & dividends on investments	36,344	17,483	539	54,366	185
Proceeds from sale & maturities of investments	1,359,753	-	2,855	1,362,608	-
Purchase of investments	(1,598,490)	-	-	(1,598,490)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(202,393)**	**17,483**	**3,394**	**(181,516)**	**185**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**(20,695)**	**(278,553)**	**2,000**	**(297,248)**	**(2,377)**
CASH & CASH EQUIVALENTS - JULY 1	**810,306**	**686,652**	**44,145**	**1,541,103**	**36,642**
CASH & CASH EQUIVALENTS - JUNE 30	**789,611**	**408,099**	**46,145**	**1,243,855**	**34,265**
INVESTMENTS	**1,390,611**	**-**	**-**	**1,390,611**	**-**
CASH & INVESTMENTS PER STATEMENT OF NET ASSETS	**$ 2,180,222**	**$ 408,099**	**$ 46,145**	**$ 2,634,466**	**$ 34,265**

(continued on next page)

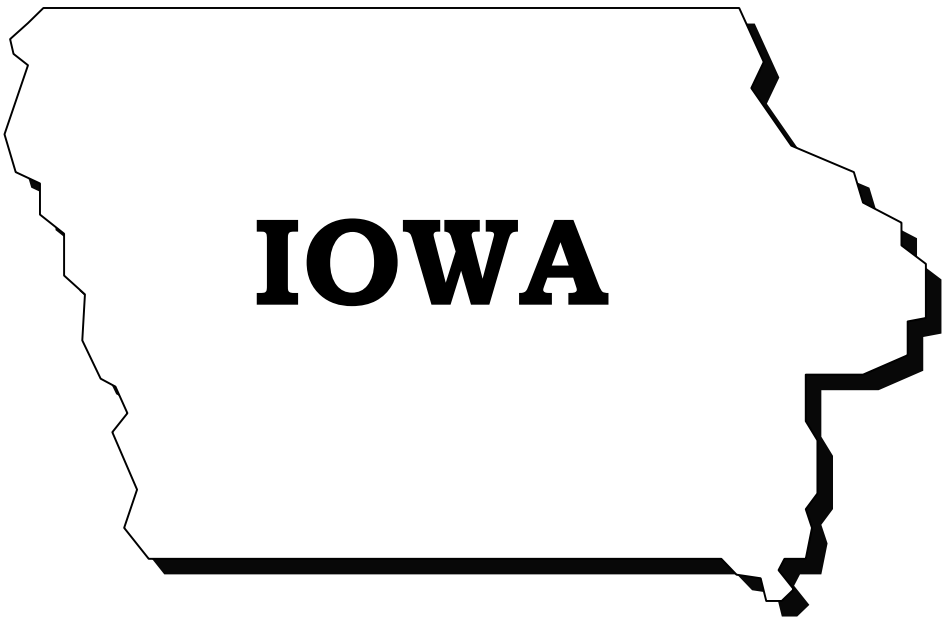
STATE OF IOWA

Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2010
(Expressed in Thousands)
(continued)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ (550,014)	$ (211,850)	$ 129,907	$ (631,957)	$ 2,130
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	229,473	-	6,097	235,570	15,416
Gain on sale of capital assets	-	-	(3)	(3)	-
(Increase) decrease in accounts receivable	(60,695)	(66,856)	(6,320)	(133,871)	75
(Increase) decrease in due from	-	-	(3)	(3)	4,730
(Increase) decrease in inventory	(2,546)	(547)	(1,537)	(4,630)	1,713
(Increase) decrease in prepaid expenses	(4,722)	-	50	(4,672)	(465)
(Increase) decrease in loans receivable	3,809	-	-	3,809	-
(Increase) decrease in other assets	310	-	-	310	-
Increase (decrease) in accounts payable	25,450	(10,971)	1,870	16,349	(803)
Increase (decrease) in due to	-	-	(5)	(5)	(1,233)
Increase (decrease) in unearned revenue	5,603	753	(198)	6,158	(1,566)
Increase (decrease) in compensated absences	1,814	-	(284)	1,530	(680)
Increase (decrease) in prizes payable	-	-	(2)	(2)	-
Increase (decrease) in prize annuity	-	-	(2,895)	(2,895)	-
Increase (decrease) in other liability	4,388	-	-	4,388	(19)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (347,130)**	**$ (289,471)**	**$ 126,677**	**$ (509,924)**	**$ 19,298**
NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES					
Capital assets acquired through capital leases	$ 3,108	$ -	$ -	$ 3,108	$ -
Capital assets contributed	1,249	-	3,779	5,028	-
TOTAL NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES	**$ 4,357**	**$ -**	**$ 3,779**	**$ 8,136**	**$ -**

The notes are an integral part of the financial statements.


IOWA

FIDUCIARY FUND FINANCIAL STATEMENTS

Fiduciary Funds are presented by fund in the Supplementary Information section.

STATE OF IOWA

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash & cash equivalents	$ 337,907	$ 2,506	$ 220,878
Receivables:			
Accounts (net)	-	1,121	169,096
Contributions	50,512	-	-
Investments sold	506,221	-	-
Foreign exchange contracts	3,139	-	-
Interest & dividends	62,874	-	-
Total receivables	622,746	1,121	169,096
Investments, at fair value:			
Fixed income securities	8,278,129	-	-
Equity investments	7,778,175	2,221,958	-
Real estate partnerships	1,558,264	-	-
Investment in private equity/debt	2,521,313	-	-
Securities lending collateral pool	521,623	-	-
Securities on loan with brokers	24,517	-	-
Total investments	20,682,021	2,221,958	-
Capital assets:			
Land	500	-	-
Other - depreciable (net)	17,724	91	-
Total capital assets	18,224	91	-
Other assets	703	18	-
TOTAL ASSETS	**21,661,601**	**2,225,694**	**389,974**
LIABILITIES			
Accounts payable & accruals	19,513	217	389,974
Payable for investments purchased	864,775	-	-
Payable to brokers for rebate & collateral	547,247	-	-
TOTAL LIABILITIES	**1,431,535**	**217**	**389,974**
NET ASSETS			
Held in trust for:			
Pension/other postemployment benefits	20,230,066	-	-
Other purposes	-	2,225,477	-
TOTAL NET ASSETS	**$ 20,230,066**	**$ 2,225,477**	**$ -**

The notes are an integral part of the financial statements.

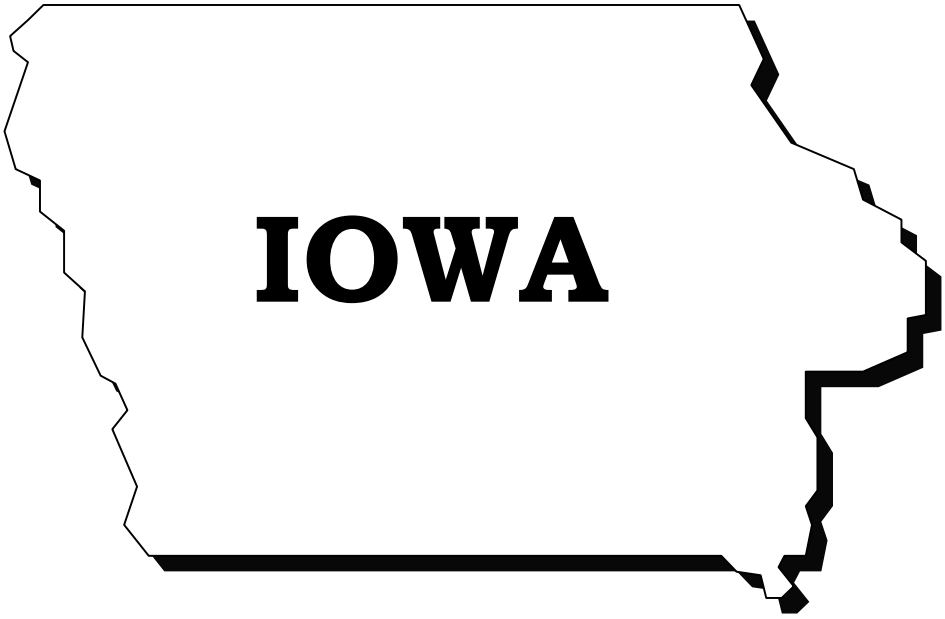
STATE OF IOWA

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

For the Year Ended June 30, 2010
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Contributions:		
Member/participant contributions	$ 301,735	$ 291,759
Employer contributions	465,429	-
Buy-back/buy-in contributions	12,618	-
Other contributions	-	1,531
Gifts, bequests & endowments	-	349
Total contributions	779,782	293,639
Investment income:		
Net increase in fair value of investments	2,085,760	209,223
Interest	295,134	70
Dividends	60,087	-
Other	114,629	-
Total investment income	2,555,610	209,293
Less investment expense	34,828	-
Net investment income	2,520,782	209,293
TOTAL ADDITIONS	**3,300,564**	**502,932**
DEDUCTIONS		
Pension & annuity benefits	1,307,972	-
Distributions to participants	-	133,308
Payments in accordance with agreements	1,197	-
Administrative expense	9,139	-
Refunds	41,470	-
Other	-	1,063
TOTAL DEDUCTIONS	**1,359,778**	**134,371**
CHANGE IN NET ASSETS	**1,940,786**	**368,561**
NET ASSETS - JULY 1, RESTATED	**18,289,280**	**1,856,916**
NET ASSETS - JUNE 30	**$ 20,230,066**	**$ 2,225,477**

The notes are an integral part of the financial statements.


IOWA

COMPONENT UNIT FINANCIAL STATEMENTS

Iowa Finance Authority issues bonds to assist in attainment of adequate housing for special needs individuals such as the low to moderate income and the disabled and to provide limited types of financing to small businesses.

Iowa Higher Education Loan Authority provides for the financing of educational loans for students attending private educational institutions in the state and financing for acquisition, construction and renovation of educational facilities.

Iowa Agricultural Development Authority undertakes programs which assist beginning farmers in purchasing land, improvements and property for agricultural purposes and provides financing for agricultural and soil conservation development and other various agricultural development programs.

Iowa State Fair Authority conducts the annual State Fair and Exposition and other interim events on the Iowa State Fairgrounds.

The University of Iowa Foundation, Iowa State University Foundation and University of Northern Iowa Foundation act primarily as fund-raising organizations to supplement the resources available to the State universities.

STATE OF IOWA
Statement of Net Assets
Component Units
June 30, 2010
(Expressed in Thousands)

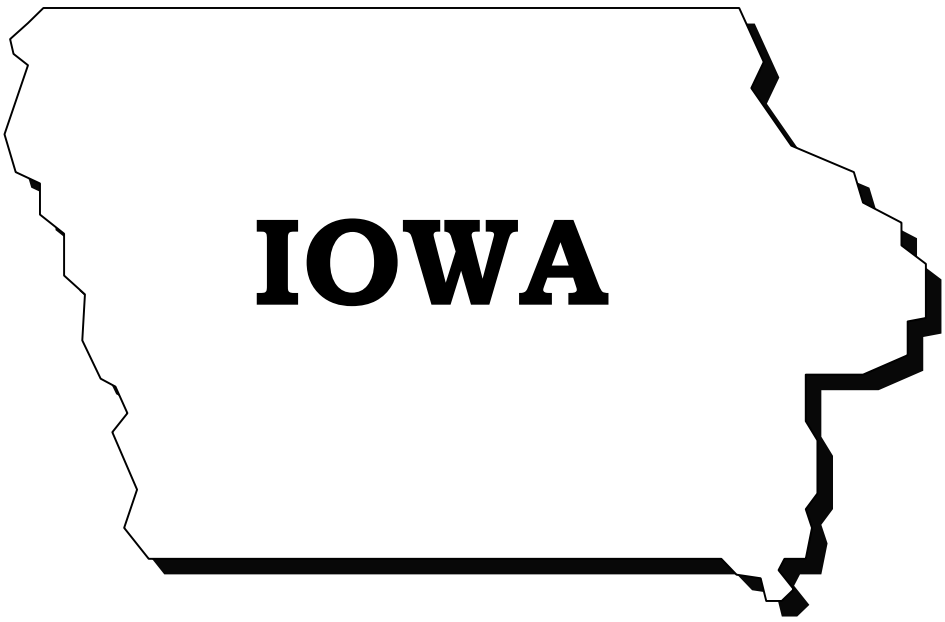
	IOWA FINANCE AUTHORITY	IOWA HIGHER EDUCATION LOAN AUTHORITY	IOWA AGRICULTURAL DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	UNIVERSITY OF IOWA FOUNDATION	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	TOTAL COMPONENT UNITS
ASSETS								
Current assets:								
Cash & investments	$ 789,221	$ 1,343	$ 795	$ 13,669	$ 333,950	$ 133,676	$ 14,020	$ 1,286,674
Cash & investments - restricted	169,370	-	-	-	-	-	-	169,370
Accounts receivable	-	-	-	2,757	49,884	19,785	2,443	74,869
Interest receivable	8,310	3	58	2	-	-	3	8,376
Loans receivable (net)	45,599	-	264	-	-	40	-	45,903
Inventory	-	-	-	306	-	-	-	306
Prepaid expenses	-	-	-	-	354	-	7	361
Other	3,312	-	-	-	-	-	-	3,312
Total current assets	1,015,812	1,346	1,117	16,734	384,188	153,501	16,473	1,589,171
Noncurrent assets:								
Cash & investments	-	-	-	-	-	392,372	-	392,372
Cash & investments - restricted	958,045	-	2,265	-	471,713	-	53,196	1,485,219
Accounts receivable	-	-	-	2,693	65,806	80,018	6,074	154,591
Loans receivable (net)	896,977	-	2,744	-	-	785	-	900,506
Capital assets - nondepreciable	716	-	-	15,012	-	960	-	16,688
Capital assets - depreciable (net)	2,545	1	11	48,379	21,188	2,195	1,065	75,384
Other	40,077	-	-	-	-	5,684	1,238	46,999
Total noncurrent assets	1,898,360	1	5,020	66,084	558,707	482,014	61,573	3,071,759
TOTAL ASSETS	**2,914,172**	**1,347**	**6,137**	**82,818**	**942,895**	**635,515**	**78,046**	**4,660,930**
LIABILITIES								
Current liabilities:								
Accounts payable & accruals	95,142	4	77	1,468	1,240	1,122	515	99,568
Interest payable	31,714	-	-	-	-	-	-	31,714
Compensated absences	-	-	6	285	780	450	-	1,521
Capital leases	-	-	-	-	610	-	-	610
Bonds payable	351,805	-	-	-	-	90	-	351,895
Funds held in custody	-	-	-	-	65,919	779	-	66,698
Total current liabilities	478,661	4	83	1,753	68,549	2,441	515	552,006
Noncurrent liabilities:								
Accounts payable & accruals	52,442	-	44	30	23,700	21,450	4,899	102,565
Compensated absences	-	-	28	738	-	-	-	766
Capital leases	-	-	-	-	5,685	-	-	5,685
Bonds payable	1,497,941	-	-	-	-	2,773	-	1,500,714
Funds held in custody	-	-	-	-	-	4,428	-	4,428
Total noncurrent liabilities	1,550,383	-	72	768	29,385	28,651	4,899	1,614,158
TOTAL LIABILITIES	**2,029,044**	**4**	**155**	**2,521**	**97,934**	**31,092**	**5,414**	**2,166,164**
NET ASSETS								
Invested in capital assets, net of related debt	960	1	11	63,391	14,893	293	-	79,549
Restricted for specific purposes	875,620	-	5,299	6,117	825,259	588,407	69,929	2,370,631
Unrestricted	8,548	1,342	672	10,789	4,809	15,723	2,703	44,586
TOTAL NET ASSETS	**$ 885,128**	**$ 1,343**	**$ 5,982**	**$ 80,297**	**$ 844,961**	**$ 604,423**	**$ 72,632**	**$ 2,494,766**

The notes are an integral part of the financial statements.

STATE OF IOWA
Statement of Activities
Component Units
For the Year Ended June 30, 2010
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA HIGHER EDUCATION LOAN AUTHORITY	IOWA AGRICULTURAL DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	UNIVERSITY OF IOWA FOUNDATION	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	TOTAL COMPONENT UNITS
Expenses	$ 211,130	$ 210	$ 574	$ 17,925	$ 78,165	$ 56,590	$ 11,847	$ 376,441
Program revenues:								
Charges for services	16,416	-	434	17,697	-	-	-	34,547
Operating grants & contributions	136,856	-	25	1,099	68,704	61,940	14,240	282,864
Capital grants & contributions	-	-	-	896	-	-	-	896
Total program revenues	153,272	-	459	19,692	68,704	61,940	14,240	318,307
Net program (expenses) revenues	(57,858)	(210)	(115)	1,767	(9,461)	5,350	2,393	(58,134)
General revenues:								
Investment income (loss)	120,627	20	30	131	88,402	58,093	8,115	275,418
Other	739	179	-	500	27,407	5,800	413	35,038
Total general revenues	121,366	199	30	631	115,809	63,893	8,528	310,456
Change in net assets	63,508	(11)	(85)	2,398	106,348	69,243	10,921	252,322
NETS ASSETS - JULY 1, RESTATED	**821,620**	**1,354**	**6,067**	**77,899**	**738,613**	**535,180**	**61,711**	**2,242,444**
NET ASSETS - JUNE 30	**$ 885,128**	**$ 1,343**	**$ 5,982**	**$ 80,297**	**$ 844,961**	**$ 604,423**	**$ 72,632**	**$ 2,494,766**

The notes are an integral part of the financial statements.


IOWA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the State of Iowa have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

B. Financial Reporting Entity

For financial reporting purposes, the State of Iowa includes all funds, departments, agencies and universities of the State. The State has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State of Iowa (the primary government) and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. The individual component unit financial statements can be obtained by contacting: Iowa Department of Administrative Services, State Accounting Enterprise, 3rd Floor, Hoover State Office Bldg., Des Moines, IA 50319.

Blended Component Units

These component units are entities which are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State's primary government and are blended with the appropriate funds.

- Iowa Public Television Foundation (Special Revenue and Permanent Funds) serves as a funding medium for Iowa Public Television. It solicits and manages gifts of money or property for the exclusive purpose of granting gifts of money or property to Iowa Public Television. Iowa Public Television has sole discretion as to the use of the money or property. The State appoints a voting majority of the Foundation's board and has the ability to impose its will on the organization, as it can make personnel decisions regarding the management of the Foundation.
- Tobacco Settlement Authority (Special Revenue Fund) was created to issue bonds to securitize payments due to the State pursuant to the Master Settlement Agreement between the State and the five largest tobacco manufacturers. The Authority's board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management. The State has the ability to impose its will on the Authority and its sole purpose is to provide a secure and stable source of revenue from the tobacco settlement for the State.
- Iowa Lottery Authority (Enterprise Fund) was created to operate the State Lottery. The five members of the board of directors are appointed by the governor and confirmed by the Senate. The State has the ability to impose its will on the Authority and its purpose is to produce the maximum amount of net revenues for the State in a dignified manner that maintains the general welfare of the people.
- Honey Creek Premier Destination Park Authority (Special Revenue Fund), herein referred to as Honey Creek Authority, was created to issue bonds to provide financing for the development of the Honey Creek Park (Enterprise Fund). The Authority's board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management. The State has the ability to impose its will on the Authority and its purpose is to provide for and secure the issuance and repayment of its bonds.

Discrete Component Units

These component units are entities which are legally separate from the State, but are financially accountable to the State, or its relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units include the financial data of these entities.

- Iowa Finance Authority (Proprietary) issues bonds to assist in attainment of adequate housing for special needs individuals such as low to moderate income and the disabled, and to provide limited types of financing to small businesses. The nine members of the board of directors are appointed by the Governor and confirmed by the Senate.

- Iowa Higher Education Loan Authority (Proprietary) provides for the financing of educational loans for students attending private educational institutions in the State and for financing the acquisition, construction and renovation of educational facilities. The five members of the board of directors are appointed by the Governor and confirmed by the Senate. The State has the ability to impose its will upon the Authority.
- Iowa Agricultural Development Authority (Proprietary) undertakes programs which assist beginning farmers in purchasing land, improvements and property for agricultural purposes and provides financing for agricultural and soil conservation development and other various agricultural development programs. The State appoints a voting majority of the organization and is able to impose its will on the Authority.
- Iowa State Fair Authority (Proprietary) conducts the annual State Fair and Exposition and other interim events on the Iowa State Fairgrounds. The State must approve any bonds issued by the Authority (October 31 year end).
- The University of Iowa Foundation, Iowa State University Foundation and University of Northern Iowa Foundation (Foundations) are legally separate, tax exempt entities. They act primarily as fund-raising organizations to supplement the resources available to the State Universities (Universities) in support of their programs. Although the State does not control the timing or amount of receipts from the Foundations, the majority of resources they hold and invest, or income thereon, is restricted to the activities of the Universities by the donors. Because the majority of these restricted resources can only be used by, or for the benefit of the Universities, they are considered a component unit of the State and are discretely presented in the financial statements.

  During the year ended June 30, 2010, the Foundations distributed $107.5 million to the Universities for academic and institutional support.

  The Foundations are private nonprofit organizations that report under FASB standards, including FASB Statement No. 117, (*Financial Reporting for Not-for-Profit Organizations*). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' financial information; however, the Foundations' assets and liabilities and revenues and expenses were reformatted to correspond to the State's reporting format for the Statement of Net Assets and Statement of Activities.

Related Organizations

These related organizations are excluded from the reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organizations' board members. Financial statements are available from the respective organizations.

- Iowa Student Loan Liquidity Corporation
- Iowa Comprehensive Health Association
- Turkey Marketing Council

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The **Statement of Net Assets** presents the State's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management but can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

D. Financial Statement Presentation

The State reports the following major governmental funds:

General Fund

The *General Fund* is the State's principal operating fund. It accounts for all financial resources except those accounted for in another fund.

Special Revenue Funds

Tobacco Settlement Authority – The Tobacco Settlement Authority, a blended component unit of the State of Iowa, receives money from the Tobacco Collections Fund to pay for operating expenses and repayment of debt.

Tobacco Collections Fund – The Tobacco Collections Fund accounts for tobacco settlement monies received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The funds are then distributed to the Tobacco Settlement Authority and the Endowment for Iowa's Health Fund pursuant to the terms of a Sales Agreement (dated October 1, 2001, and amended November 1, 2005) between the State and the Tobacco Settlement Authority.

The State reports the following major proprietary funds:

Enterprise Funds

University Funds account for the operations of the State's public institutions of higher education. The State University of Iowa, Iowa State University and the University of Northern Iowa comprise this group.

The *Unemployment Benefits Fund* receives federal funds and contributions from employers to provide benefits to eligible unemployed workers.

In addition, the State reports the following fund types:

Governmental Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than permanent or capital projects) that are legally restricted to expenditures for a specified purpose.

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry.

Proprietary Funds

Enterprise Funds account for the activities for which fees are charged to external users for goods and services. This fund type is also used when the activity is financed with debt that is secured with fees and charges, as well as when the pricing policy of the activity is designated to recover its costs.

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the State, or to other governmental units, on a cost reimbursement basis. The activities accounted for in internal service funds include information technology, workers' compensation, fleet operations, printing and mail services and property management.

Fiduciary Funds

Pension and Other Employee Benefit Trust Funds account for resources that are required to be held for the members and beneficiaries of the State's defined benefit pension plans and other postemployment benefit plans. The pension plans included are the Iowa Public Employees' Retirement System (IPERS), Peace Officers' Retirement, Accident and Disability System (PORS) and the Judicial Retirement System (JRS).

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations or other governments. Examples include Iowa Educational Savings Plan Trust, Veterans Affairs donations, Braille & Sight Saving School Fund and Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) Fund.

Agency Funds account for resources held by the State in a purely custodial capacity. These funds include tax collections, fines, fees and payroll deductions.

E. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Most revenues, including taxes, fees, charges for services, refunds and reimbursements and receipts from other entities, are considered by the State to be available if collected within 60 days of the end of the fiscal year. Investment earnings are recorded as earned since they are measurable and available.

Expenditures are recognized when the related fund liability is incurred. An exception to the general modified accrual expenditure recognition criteria is the principal and interest on general long-term debt which is recognized when due. Income tax refunds are accrued for claims related to tax periods ended by June 30, of the fiscal year, and paid within 60 days.

Proprietary and fiduciary fund statements are reported using the economic resources measurement focus (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The State has elected to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. *General revenues* include all taxes and investment income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In fiscal year 2010, the State of Iowa implemented the following GASB standards:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* – This Statement establishes accounting and financial reporting requirements for intangible assets (including easements, water rights, patents, trademarks and computer software) to improve consistency among state and local governments.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* – A derivative is a financial contract that has its value linked to an underlying asset. Derivative instruments are used by governments to manage specific risks or to make investments and are often complex financial arrangements. GASB Statement No. 53 establishes accounting and financial reporting standards to increase usefulness and comparability of derivative information reported by state and local governments.

Lottery Revenues and Prizes

The Lottery uses an on-line instant verification system for the sale and validation of instant tickets. Instant ticket sales are recognized when a retailer settles a pack of tickets. Revenues for pull-tab games are recognized upon the sale of tickets to the retail sales agents. Revenues for Lotto games are recognized after the jackpot drawings are held. Deferred revenue represents Lotto tickets sold for future prize drawings.

The prize liabilities for the Lotto games are determined by actual matches and are recognized after the jackpot drawings are held.

F. Cash, Investments and Securities Lending

Cash in most funds is held in the State treasury and is commingled in State bank accounts and investments. The moneys of most funds are pooled together and invested as an investment pool by the Treasurer of State (Treasurer). However, moneys of some funds may be invested separately from the investment pool where permitted by statute.

Investment earnings of the investment pool are allocated to the individual funds as provided by statute. Income of $11,289,259 associated with certain funds has been assigned to other funds for fiscal year 2010.

The Treasurer's deposits in financial institutions throughout the year and at year end were entirely covered by the Federal Deposit Insurance Corporation, collateral held by the Treasurer's custodial banks in the Treasurer's name or by the bank assessment provisions of Section 12C.23 of the Code of Iowa.

The Treasurer may invest in obligations of the United States government, its agencies and instrumentalities; certificates of deposit in Iowa financial institutions; prime bankers' acceptances, commercial paper or other short-term corporate debt; repurchase agreements; investments authorized for Iowa Public Employees' Retirement System in section 97B.7A; money market mutual funds organized in trust form; obligations of the Iowa Finance Authority issued pursuant to Chapter 16 of the Code of Iowa and other investments as permitted by Section 12B.10 of the Code of Iowa.

Investments are valued at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value is calculated at market price at the close of business on June 30 by independent pricing services utilized by the Treasurer's custodian bank. However, certain cash equivalent investments such as commercial paper, bankers' acceptances, certificates of deposit, guaranteed investment contracts and discount notes issued by government agencies are valued using purchase price. IPERS has derivatives that are reported on the Statement of Fiduciary Net Assets at fair value. (For Pension plans, see NOTE 16.)

Certain State institutions participate in the Iowa Public Agency Investment Trust (IPAIT), a state and local government pooled investment account, created by Iowa Code Chapter 28E. IPAIT is managed by Investors Management Group and is registered with the Securities and Exchange Commission. IPAIT follows established money market mutual fund parameters designed to maintain a $1 per unit net asset value.

Cash and cash equivalents include currency on hand, demand deposits with banks or other financial institutions, investments readily convertible to known amounts of cash and investments so near their maturity that they

present insignificant risk of changes in value because of changes in interest rates. In the Statements of Cash Flows, investments with an original maturity of three months or less are considered cash equivalents.

IPERS, PORS and JRS (together the "Systems") participate in a securities lending program with the State's custodian bank. The participation of IPERS is authorized by the Code of Iowa and the participation of PORS and JRS is authorized by their Boards of Trustees. The custodian bank is responsible for operating the program and is permitted to lend any of the securities it holds in custody for the Systems to broker-dealers and other entities in exchange for collateral. The custodian bank is permitted to accept collateral in the form of cash in U.S. dollars, U.S. government securities or irrevocable letters of credit. The types of securities on loan included equity investments and fixed income securities.

A borrower is required to initially deliver collateral in an amount equal to 102% of the fair value of any U.S. securities lent and 105% of the fair value of any non-U.S. securities lent. Borrowers are required to provide additional collateral any time the value of the collateral drops below 100% of the value of the security lent plus accrued interest income. Securities received as collateral cannot be sold or pledged unless the borrower defaults.

At year-end, IPERS had no credit risk exposure to borrowers because the amounts of collateral held on each loan exceeded 100% of the borrowed securities market value. At year-end, PORS and JRS had no credit risk exposure to borrowers because the amounts the borrowers owed PORS and JRS did not exceed the amount owed them. The contracts with the custodian bank requires it to indemnify the Systems if a borrower fails to return the securities or fails to return all of the income attributable to securities on loan. As of June 30, 2010, the Systems had securities on loan, including accrued interest income, with a total value of $529,099,854 against collateral with a total value of $547,247,231.

The majority of securities loans are open loans, i.e. one day maturity, where the rebate rate due the borrower is renegotiated daily. All securities loans can be terminated on demand by either the Systems or the borrower. Cash collateral received from borrowers is invested in a cash collateral investment pool which is managed by the custodian bank in accordance with investment guidelines established by the Systems. The investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturity of the investments with the loans. (See NOTE 2.)

The effective duration of the cash collateral pool at June 30, 2010, for IPERS was 5 days. Years to Maturity and Credit Quality statistics for the cash collateral pool at June 30, 2010, for IPERS are as follows (expressed in thousands):

Securities Lending Collateral Pool
Years to Maturity

		Investment Maturities (years)			
Investment Type	Fair Value	Less Than 1	1 to 5	5 to 15	Greater than 15
Corporate asset backed	$ 61,320	$ 7,515	$ 8,410	$ 7,296	$ 38,099
Mutual funds	250,191	250,191	-	-	-
Overnight repurchase agreements	184,580	184,580	-	-	-
Total	$ 496,091	$ 442,286	$ 8,410	$ 7,296	$ 38,099

Securities Lending Collateral Pool
Credit Risk - S & P Quality Ratings

Investment Type	Total	AAA	AA	A	BB	B	CCC	Not Rated
Corporate asset backed	$ 61,320	$ 3,461	$ 847	$ 14,927	$ 10,474	$ 16,790	$ 14,821	$ -
Mutual funds	250,191	-	-	-	-	-	-	250,191
Overnight repurchase agreements	184,580	-	-	-	-	-	-	184,580
Total	$ 496,091	$ 3,461	$ 847	$ 14,927	$ 10,474	$ 16,790	$ 14,821	$ 434,771

G. Accounts Receivable

Accounts receivable have been established and offset with proper provisions for estimated uncollectible accounts where applicable. Practically all receivables of governmental funds are due from other governmental entities, primarily the federal government, and are considered collectible. Receivables in other funds have arisen in the ordinary course of business.

Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portion considered "available" is recorded as revenue; the remainder is recorded as deferred revenue.

H. Inventories

Inventories are valued at cost, which approximates market. The first-in/first-out (FIFO) cost flow method is used for the majority of inventories. Throughout the year costs of inventories are recorded as expenditures when purchased. For financial reporting purposes, expenditures are adjusted at fiscal year end for material inventory amounts to correlate with the consumption method. Inventory asset amounts are not available for budgetary appropriation as they have been charged to expenditures when purchased rather than when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items in both government-wide and fund financial statements. In governmental funds, prepaid items are accounted for using the consumption method and a portion of fund balance equal to the prepaid items has been reserved to indicate that it is not available for appropriation.

J. Capital Assets

Capital assets are reported in the government-wide financial statements and proprietary fund statements at historical cost. Donated capital assets are reported at their estimated fair market value at the time of acquisition. Capital assets utilized in governmental funds are reported as expenditures when purchased in the governmental fund financial statements. Infrastructure and intangible assets, as defined by the State's policy, acquired after June 30, 1980, are reported. Reportable capital assets are defined by the State as assets above the following thresholds:

Infrastructure	$1 million
Intangible assets	$ 500,000
Land, buildings and improvements	$ 50,000
Equipment	$ 5,000

Capital assets are depreciated over their useful lives using the straight-line depreciation method. The government-wide financial statements, proprietary fund statements and component unit financial statements report depreciation expense. The following useful lives are used:

Infrastructure	10-50 years
Buildings	20-50 years
Improvements other than buildings	20-50 years
Intangibles	5-20 years
Equipment	2-20 years
Vehicles	3-10 years

K. Compensated Absences

Employees' compensated absences are accrued when earned. Accrued vacation is paid at 100% of the employee's hourly rate upon retirement, death or termination. With certain exceptions, accrued sick leave is paid at 100% of the employee's hourly rate to a maximum of $2,000 upon retirement. Employees may elect to use a portion of accrued sick leave balances to pay the state share of group health insurance premiums upon retirement. The liability for accrued compensated absences as reported in the government-wide and proprietary fund financial statements is based on the current rates of pay.

L. Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond discounts and issuance costs for proprietary fund types are generally deferred and amortized over the terms of the bonds using the bonds-outstanding method or straight-line method, which approximates the effective interest method.

Long-term liabilities that are due within one year of the date of the statements are classified as current liabilities.

In governmental fund types, bond discount and issuance costs are recognized in the current period.

M. Interfund Activity and Balances

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

Interfund Balances

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

N. Encumbrances

The State utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods or services that have not been received or rendered are recorded to reserve that portion of the applicable fund balance. Section 8.33, unnumbered paragraph 2, of the Code of Iowa, states, "No payment of an obligation for goods or services shall be charged to an appropriation subsequent to the last day of the fiscal year for which the appropriation is made unless the goods or services are received on or before the last day of the fiscal year, except that repair projects, purchase of specialized equipment and furnishings, and other contracts for services and capital expenditures for the purchase of land or the erection of buildings or new construction or remodeling, which were committed and in progress prior to the end of the fiscal year are excluded from this provision." That is, except for the above stated exceptions, the State must have received the goods or services on or before June 30, creating an actual liability, or the encumbrance is cancelled against that fiscal year. If the encumbrances are still valid after June 30, they become expenditures/expenses of the next fiscal year.

O. Budgeting and Budgetary Control

There are no material violations of finance-related legal and contractual provisions. Budgetary comparison schedules and related disclosures are reported as Required Supplementary Information (RSI).

NOTE 2 – CASH, INVESTMENTS AND SECURITIES LENDING

A. Primary Government and Fiduciary Funds

Investments of the primary government and fiduciary funds at June 30, 2010, are scheduled as follows (expressed in thousands):

Primary Government		***Fiduciary Funds***	
Investment Type	Fair Value	Investment Type	Fair Value
Fixed:		Fixed:	
U.S. government treasuries, notes & bonds	$ 268,944	U.S. government treasuries, notes & bonds	$ 808,197
U.S. government agency	1,768,675	U.S. government agency	446,236
Government asset and mortgage-backed	5,713	Government asset and mortgage-backed	815,114
Corporate bonds	89,652	Corporate bonds	1,941,065
Corporate asset backed	58,298	Corporate asset backed	591,185
Private placements	9,955	Private placements	1,092,147
Guaranteed investment contracts	64,147	Commingled bond funds	2,308,584
Commingled bond funds	409,750	Convertible investments	10,546
Commercial paper	88,947	Other fixed income	115,952
Certificate of deposit	11,768	Total fixed	8,129,026
Total fixed	2,775,849		
Equity:		Equity:	
U.S. equity	74,030	U.S. equity	2,903,452
Private equity	9,533	Private equity	2,519,049
Real estate	14,654	Real estate	1,507,364
Commingled funds	225,862	Commingled & mutual funds	7,674,415
Money market funds	615,404	Other	19,943
Pooled & mutual funds	1,114,798	Total equity	14,624,223
Investment pools	6,437		
Other	150,164	Total invested assets	$ 22,753,249
Total equity	2,210,882		
Total invested assets	$ 4,986,731		

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State.

State law limits the Treasurer's investment pool's investments in domestic commercial paper, maturing within 270 days from the date of purchase, to the highest rating of either Standard & Poor's or Moody's on the date of purchase, provided that no investment has a split rating. Investments in short-term corporate debt, other than commercial paper, maturing within 270 days from the date of purchase, are limited to one of the two highest ratings of either Standard & Poor's or Moody's on the date of purchase, provided that at the time of purchase no more than 5% of amounts invested in short-term corporate debt or commercial paper are rated in the second highest rating. Investments in obligations or guaranteed investment contracts of domestic corporations with maturities greater than 270 days from the date of purchase, are limited to long-term ratings of not less than A2 by Moody's and not less than A by Standard & Poor's. Investments in asset-backed securities are limited to those rated AAA by Standard & Poor's or Aaa by Moody's.

The State Board of Regents establishes policy and sets objectives for the Universities' investments. Credit quality limitations for investments of operating funds are: the weighted average credit quality of each institution's operating portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's, respectively; up to 20% of each institution's operating portfolio may be invested in bonds rated A and BBB in order to enhance portfolio yield; commercial paper or other short-term corporate debt that matures within 270 days that is rated within the two highest classifications, as established by at least one of the standard rating services, provided that at the time of

purchase no more than 5% of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification; obligations of the Iowa Finance Authority (Authority) provided that at the time of purchase the Authority has an issuer credit rating within the two highest classifications or the obligations to be purchased are rated within the two highest classifications, as established by at least one of the standard rating services; corporate debt with a maturity of greater than 270 days that is rated investment grade by Standard & Poor's or Moody's (at least BBB- or Baa3, respectively), or by another Nationally Recognized Statistical Rating Organization (NRSRO), including Rule 144A Securities that are deemed to be of investment grade credit quality by the external or internal investment manager, at the time of purchase.

Credit quality limitations for the Universities' endowment funds are: the weighted average credit quality of each institution's endowment fixed income portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's, respectively; up to 20% of each institution's operating portfolio may be invested in bonds rated A and BBB in order to enhance portfolio yield.

There are no policy limitations for credit risk exposures within the investment portfolios of the Systems. Each IPERS portfolio is managed in accordance with an investment contract that is specific as to permissible quality ranges and the average credit quality of the overall portfolios. Policies related to credit risk pertaining to IPERS', PORS' and JRS' securities lending program is found under the securities lending disclosures found in NOTE 1 F of these notes.

The State's exposure to credit risk for the fixed income investments of the primary government and fiduciary funds at June 30, 2010, is summarized by credit quality ratings, as follows (expressed in thousands):

Credit Risk - S & P Quality Ratings

Primary Government

Investment Type	TSY	AGY	AAA	AA	A	BBB	BB	B	CCC & Below	NR
U.S. government treasuries, notes & bonds	$268,944	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
U.S. government agency	-	442,345	696,841	-	-	-	-	-	-	629,489
Government asset and mortgage-backed	-	5,465	-	-	-	-	-	-	-	248
Corporate bonds	-	-	20,920	31,809	21,809	13,747	13	-	-	1,354
Corporate asset backed	-	-	35,344	1,377	2,255	1,486	1	-	116	17,719
Private placements	-	-	-	3,225	4,514	2,216	-	-	-	-
Guaranteed investment contracts	-	-	4,948	-	-	-	-	-	-	59,199
Commingled bond funds	41	484	67,010	201,893	82,642	219	3,604	45,703	-	8,154
Commercial paper	-	-	78,952	-	-	-	-	-	-	9,995
Certificate of deposit	-	-	10,547	-	-	-	-	-	-	1,221
Total	$268,985	$448,294	$ 914,562	$238,304	$111,220	$ 17,668	$ 3,618	$ 45,703	$ 116	$ 727,379

Fiduciary Funds

Investment Type	TSY	AGY	AAA	AA	A	BBB	BB	B	CC & Below	NR
U.S. government treasuries, notes & bonds	$ 50,947	$ 4,206	$ 750,615	$ -	$ 1,433	$ 227	$ 425	$ -	$ -	$ 344
U.S. government agency	-	151	6,742	5,422	35,403	41,573	34,206	6,336	-	316,403
Government asset and mortgage-backed	-	30,261	14,015	-	1,573	16,461	-	-	-	752,804
Corporate bonds	-	-	126,751	99,850	430,235	433,873	352,992	406,066	48,636	42,662
Corporate asset backed	-	-	233,272	19,279	62,245	36,794	31,677	46,347	87,497	74,074
Private placements	-	-	159,812	120,992	23,878	95,135	180,654	230,404	18,061	263,211
Commingled bond funds	738,955	-	1,071,067	95,160	218,531	184,871	-	-	-	-
Convertible investments	-	-	-	-	1,295	416	13	161	3,411	5,250
Other fixed income	-	-	5,091	13,377	19,548	-	-	-	775	77,161
Total	$789,902	$ 34,618	$2,367,365	$354,080	$794,141	$809,350	$599,967	$689,314	$158,380	$1,531,909

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Treasurer manages interest rate risk by utilizing a buy-and-hold strategy, maturity limitations and diversification parameters and liquidity requirements set by the Investment Committee.

Maturity Limitations: No investment shall be made in a U.S. Treasury note or bond with a maturity that exceeds ten years, a U.S. government agency note or bond, or a U.S. government instrumentality note or bond with a maturity that exceeds 61 months at the time of purchase. No investment shall be made in a U.S. government agency or instrumentality mortgage-backed security that has an expected average life greater than four years at the time of purchase. (The 61-month maturity limitation for U.S. Treasury, government agency or instrumentality securities does not apply to such securities if accepted as collateral under a repurchase agreement.) No investment shall be made in an asset-based security that has an expected average life greater than two years at the time of purchase. The maturities of commercial paper and bankers' acceptances shall not exceed 270 days at the time of purchase. The maturities of all other investments shall not exceed 25 months at the time of purchase.

Maturity Diversification: The Investment Committee shall set permitted maximum dollar amounts that can be invested in specific maturity sectors that are consistent with the overall portfolio strategy and this investment policy.

Liquidity Reserve: The Investment Committee shall specify how much liquidity shall be reserved to ensure that adequate cash is available to meet any unexpected expenditures that may occur. The liquidity reserve should be continuously invested in money market mutual funds with Iowa financial institutions or short-term money market accounts.

The Universities' policy for the operating portfolio prohibits investment in securities that at the time of purchase have effective maturities exceeding 63 months and that the maximum duration of each portfolio shall not exceed the duration of the Merrill 1-3 Government/Corporate Index by more than 20%. There is no explicit limit on the average maturity of fixed income securities in the endowment portfolio.

IPERS manages interest rate risk within the portfolio using the effective duration or option-adjusted methodology. It is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of IPERS' fixed income portfolios are managed in accordance with investment contracts that require that the effective duration of the portfolio shall always remain between 80% and 120% of the effective duration measure of the Index.

The State's exposure to interest rate risk for the fixed income investments of the primary government and the fiduciary funds at June 30, 2010, is summarized using the effective duration method, as follows (expressed in thousands):

Primary Government

Investment Type	Fair Value	Effective Duration (Years)
U.S. government treasuries, notes & bonds	$ 268,944	2.83
U.S. government agency	1,768,675	0.59
Government asset and mortgage-backed	5,713	1.15
Corporate bonds	89,652	2.51
Corporate asset backed	58,298	0.94
Private placements	9,955	2.95
Guaranteed investment contracts	64,147	17.48
Commingled bond funds	409,750	4.20
Commercial paper	88,947	0.12
Certificate of deposit	11,768	0.27
Total	$ 2,775,849	1.79

Fiduciary Funds

Investment Type	Fair Value	Effective Duration (Years)
U.S. government treasuries, notes & bonds	$ 808,197	7.11
U.S. government agency	446,236	4.09
Government asset and mortgage-backed	815,114	2.08
Corporate bonds	1,941,065	4.82
Corporate asset backed	591,185	1.98
Private placements	1,092,147	4.22
Commingled bond funds	2,308,584	4.30
Convertible investments	10,546	3.97
Other fixed income	115,952	4.12
Total	$ 8,129,026	4.29

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. From time to time, IPERS' and PORS' external managers may or may not hedge the portfolios' foreign currency exposures with currency forward contracts depending upon their views on a specific foreign currency relative to the U.S. dollar. IPERS will not manage currency as a separate asset class or enter into speculative currency positions (i.e., currency positions greater than 100% or less than 0% of the underlying asset exposure)

in its portfolio, except as it relates to specific cross-hedging activity, which may be permitted in certain investment guidelines, and for global macro investment strategies. IPERS' foreign currency exposure of the global macro managers was 0.84% of IPERS' total foreign currency exposure on June 30. Foreign currency risk by investment type for the pension system fiduciary funds, at June 30, 2010, follows (expressed in thousands):

	Total	Fixed Income	Equity	Alternative Investments	Cash
Argentine peso	$ 1	$ -	$ -	$ -	$ 1
Australian dollar	63,946	671	103,290	(39,688)	(327)
Brazilian real	30,525	-	30,256	-	269
British pound sterling	152,004	-	140,984	12,081	(1,061)
Canadian dollar	(29,445)	1,346	4,280	(34,871)	(200)
Chilean peso	3	-	-	-	3
Colombian peso	1,654	-	1,654	-	-
Danish krone	11,926	-	11,926	-	-
Egyptian pound	3,505	-	3,505	-	-
Euro currency	553,031	4,030	608,264	(55,476)	(3,787)
Hong Kong dollar	131,835	-	130,774	-	1,061
Hungarian forint	2,161	-	2,161	-	-
Iceland krona	39	-	-	-	39
Indian rupee	21,000	1,241	19,848	-	(89)
Indonesian rupiah	15,260	685	14,575	-	-
Israeli shekel	1,684	-	1,684	-	-
Japanese yen	338,755	643	317,502	16,850	3,760
Malaysian ringgit	11,317	344	11,019	-	(46)
Mexican nuevo peso	16,622	1,433	15,189	-	-
New Taiwan dollar	63,433	-	63,313	-	120
New Zealand dollar	(7,596)	646	-	(8,244)	2
Norwegian krone	15,745	-	15,701	44	-
Philippine peso	3,009	-	3,009	-	-
Polish zloty	4,308	-	4,308	-	-
Russian new ruble	14,193	-	14,193	-	-
Singapore dollar	26,514	1,150	23,998	-	1,366
South African rand	27,513	-	29,300	(1,800)	13
South Korean won	72,256	1,288	70,968	-	-
Swedish krona	66,329	-	10,045	56,284	-
Swiss franc	63,047	-	53,090	9,957	-
Thai baht	12,484	-	12,714	-	(230)
Turkish new lira	6,288	-	7,198	(910)	-
Total	$ 1,693,346	$ 13,477	$ 1,724,748	$ (45,773)	$ 894

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. Policies of the Treasurer, Universities and Systems limit investment in any single issuer or corporate entity to no more than 5% of the market value of the portfolio or account. The policy does not apply to investments in U.S. Treasuries, government agencies or instrumentalities.

Custodial Credit Risk

Deposits: Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposit may not be returned to it. Protection from custodial credit risk exists for the State's deposits in excess of FDIC insurance coverage. Banks in Iowa which accept public fund deposits are required to pledge collateral in an amount equal to, or in excess of, the total amount by which the public funds deposits in the bank exceeds the total capital of the bank. If a bank fails, the Treasurer would liquidate any collateral that the bank had pledged and use the proceeds to repay public units. If the proceeds from the sale of the collateral were not sufficient to reimburse the public units, the Treasurer would use money from the sinking fund to make the public units whole. If there is not enough money in the sinking fund to cover the uninsured public deposits, the Treasurer would assess a proportional share of the loss against all remaining banks whose public funds deposits exceeded FDIC

insurance to satisfy the remaining loss. The Universities and the Systems have no formal policy for custodial credit risk. The $771,920,990 total combined bank deposits of the primary government and fiduciary funds at June 30, 2010, was exposed to custodial credit risk for $203,743 of uninsured and uncollateralized bank deposits.

Investments: Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the State will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Treasurer, Universities and Systems have no formal policy for investment custodial credit risk. Of the $27,739,979,973 total combined investments of the primary government and fiduciary funds at June 30, 2010, $1,282,650 was exposed to custodial credit risk as uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent but not in the State's name.

B. Component Units

Investments of the component units at June 30, 2010, are scheduled as follows (expressed in thousands):

Investment Type	Fair Value
Fixed:	
U.S. government treasuries, notes & bonds	$ 5,849
U.S. government TIPS	8,870
U.S. government agency	160,175
Government asset and mortgage-backed	951,181
Corporate bonds	1,341
Guaranteed investment contracts	111,350
Total fixed	1,238,766
Equity:	
Money market funds - commingled	410,166
Total invested assets	$ 1,648,932

The Universities Foundations' cash and investments of $1,398,927,000 are not subject to GASB disclosure requirements.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the component units. The component units have no formal policy to manage credit risk. The exposure to credit risk for the component units fixed income investments at June 30, 2010, is summarized by credit quality ratings, as follows (expressed in thousands):

Credit Risk - S & P Quality Ratings

Investment Type	TSY	AGY	AAA	AA	A	NR
U.S. government treasuries, notes & bonds	$ 5,849	$ -	$ -	$ -	$ -	$ -
U.S. government TIPS	8,870	-	-	-	-	-
U.S. government agency	-	160,175	-	-	-	-
Government asset and mortgage-backed	-	-	951,181	-	-	-
Corporate bonds	-	-	-	1,341	-	-
Guaranteed investment contracts	-	-	2,785	5,528	101,256	1,781
Total	$ 14,719	$ 160,175	$ 953,966	$ 6,869	$ 101,256	$ 1,781

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The component units do not have formal policies that limit investment maturities as a means of managing exposure to credit risk.

The component units' exposure to interest rate risk for the fixed income investments at June 30, 2010, is summarized using the weighted average maturity method, as follows (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. government treasuries, notes & bonds	$ 5,849	11.10
U.S. government TIPS	8,870	7.20
U.S. government agency	160,175	1.00
Government asset and mortgage-backed	951,181	25.58
Corporate bonds	1,341	4.50
Guaranteed investment contracts	111,350	0.50
Total	$ 1,238,766	19.92

C. University Endowments

For donor restricted endowments, Chapter 540A of the Code of Iowa permits Universities to spend endowment income and to appropriate, within certain limitations, an amount of realized and unrealized endowment appreciation as the Universities determine to be prudent considering their long-term and short-term needs, their present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

The Universities' policies are to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules of the Universities. Spending rules for the Universities are as follows:

- The University of Iowa's spending rule is that 5.0% of market value of the endowment, based on a twelve quarter rolling market average, will be calculated and distributed.
- Iowa State University's spending rule is that 5.5% of market value, based on a three-year rolling market average, will be calculated and distributed per the requirements of the endowment.
- The University of Northern Iowa's spending rule is that 5.0% of market value of the endowment, based on a rolling market average, will be calculated and distributed.

Net appreciation of endowment funds available to meet spending rate distribution are as follows:

	Amount	Net Asset Classification
University of Iowa	$ 4,184,661	Restricted nonexpendable net assets
Iowa State University	8,586,485	Restricted expendable net assets
University of Northern Iowa	461,708	Restricted expendable net assets

D. Derivatives

Fiduciary Funds

IPERS' investment managers cannot use derivatives for speculative purposes. They may use derivatives to access desired markets efficiently, to control and manage portfolio risk, and in portable alpha strategies.

GASB Statement No. 53 requires that the fair value of financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments. The statement further requires that derivatives be categorized as either a hedging derivative or an investment derivative. All of IPERS' derivative exposures at June 30, 2010, are categorized as investment derivatives and therefore the hedge accounting provisions of GASB Statement No. 53 are not applicable.

Some of the IPERS' external investment managers may be permitted through their individual investment contracts to use derivative instruments, subject to the IPERS' derivative policy. Derivatives are contracts or securities whose returns are derived from the returns of other securities, indices, or derivatives. While this definition includes the most common type of derivative, collateralized mortgage obligations (which typically make up a portion of IPERS' fixed income portfolio), it is also intended to include (but not be limited to) futures, forwards, options, options on futures, swaps, and swaptions. IPERS' managers are not permitted to utilize derivatives for speculative purposes, but may use them to efficiently access desired markets and to control and manage portfolio risk. Examples of appropriate applications of derivative strategies include hedging interest rate and currency risk, maintaining exposure to a desired asset class while effecting asset allocation changes, managing duration risk, augmenting index fund performance through index arbitrage, and portable alpha strategies.

The various derivatives utilized by IPERS' investment managers are described below. The notional values associated with these derivative instruments are not recorded in the financial statements; however, the fair value amounts of exposure (unrealized gains/losses) are reported in the Statement of Plan Net Assets. IPERS holds investments in limited partnerships and commingled investment funds, which may utilize derivatives from time to time for hedging purposes.

IPERS could be exposed to risk if the counterparties to derivatives contracts are unable to meet the terms of the contracts. IPERS' investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. IPERS anticipates that the counterparties will be able to satisfy their obligations under the contracts. Limited partnerships and commingled investment vehicles in which IPERS invests may also have exposure to counterparty risk from the use of derivatives for hedging purposes.

Futures and Options Contracts: IPERS had investments in various futures and options during the year. These contracts are reported at their fair value in the Statement of Plan Net Assets.

Futures and options can offer potentially lower-cost and more efficient alternatives to buying the underlying securities or currency. Futures and options can also serve to minimize certain unwanted risks within the portfolio. The market, currency, and credit risk of the futures were the same as if IPERS had owned the underlying securities or currency. A schedule of futures and options contracts outstanding at June 30, 2010, follows (expressed in thousands):

Futures Exposure Summary

	Expiration Date	Long/Short	Notional Value	Fair Value
Amsterdam Index	July 2010	Long	$ 8,179	$ (503)
CAC 40 Euro Index	July 2010	Long	12,865	(684)
Hang Seng Index	July 2010	Short	(11,910)	307
IBEX 35 Index	July 2010	Long	13,189	(563)
10-year U.S. Treasury notes	September 2010	Short	(113,157)	(1,547)
10-year Japan bonds	September 2010	Long	9,625	(20)
2-year U.S. Treasury notes	September 2010	Long	16,782	67
5-year U.S. Treasury notes	September 2010	Long	72,036	632
DAX Index	September 2010	Short	(4,705)	141
EMINI—S&P 500	September 2010	Long	91,251	(4,401)
Euro Bund	September 2010	Long	145,214	1,389
FTSE 100 Index	September 2010	Long	23,852	(1,374)
TOPIX Index	September 2010	Short	(14,900)	497
U.S. Treasury bonds	September 2010	Long	93,964	2,936
10-year Australia bonds	September 2010	Short	(555,560)	(1,551)
10-year Canada bonds	September 2010	Short	(116,534)	(1,993)
U.K. Long Gilt	September 2010	Short	(147,782)	(2,352)
S&P Canada 60	September 2010	Short	(16,847)	592
FTSE/MIB Index	September 2010	Long	8,384	(445)
SPI 200 Index	September 2010	Long	1,779	(159)
U.S. Ultra Bonds	September 2010	Long	68,008	1,257
			$(416,267)	$ (7,774)

Options Exposure Summary

	Expiration Date	Long/Short	Type	Strike Price	Fair Value
Eurodollar	September 2010	Short	Put	$ 98.75	$ (12)
Eurodollar	September 2010	Short	Call	99.25	(61)
10-year U.S. Treasury notes	September 2010	Long	Call	119.50	305
10-year U.S. Treasury notes	September 2010	Long	Call	121.50	252
10-year U.S. Treasury notes	September 2010	Short	Call	124.50	(97)
10-year U.S. Treasury notes	September 2010	Short	Call	123.50	(45)
10-year U.S. Treasury notes	September 2010	Long	Put	117.00	38
					$ 380

Credit Default Swaps: IPERS had investments in credit default swaps during the year. The credit default swaps held by IPERS are derivative instruments that are used to hedge or to replicate investments in debt obligations of corporate bond issuers. The risk of the credit default swap is comparable to the credit risk of the reference security. At June 30, 2010, the notional value of the credit default swaps held in IPERS' fixed income portfolio was $95.3 million. The credit default swaps are reported at a fair value of $(268,037) in the Statement of Plan Net Assets.

Interest Rate Swaps: Interest rate swaps are transactions between two parties in which interest payments from different indexes are swapped. Interest rate swaps are often used to alter the portfolios' exposure to interest rate fluctuations, by swapping fixed-rate obligations for floating-rate obligations, or swapping floating-rate obligations for fixed-rate obligations. By utilizing interest rate swaps, IPERS' investment managers are able to synthetically alter their interest rate exposure and bring it in line with their strategic objectives for interest rate risk. At June 30, 2010, the notional value of the interest rate swaps held in IPERS' fixed income portfolio was $99.2 million. All interest rate swaps held by IPERS' are reported at a fair value of $(6.8) million in the Statement of Plan Net Assets.

Total Return Swaps: A total return swap is a contract in which two parties swap payments based on the total return of a reference asset. The reference asset may be any asset, index, or basket of assets. At June 30, 2010, the notional value of the total return swaps held in IPERS' fixed income portfolio was $83.0 million. The total return swaps held by IPERS are reported at a fair value of $(204,440) in the Statement of Plan Net Assets.

Mortgage-Backed Securities: IPERS invests in mortgage-backed securities, which are reported in the Statement of Plan Net Assets at fair value based on estimated future cash flows from the interest and principal payments of the underlying mortgages. As a result, mortgage-backed securities prices are sensitive to prepayments by mortgagees, which are more likely in declining interest rate environments. IPERS invests in mortgage-backed securities to diversify the portfolio and earn the return premium associated with prepayment risk.

Component Units

Iowa Finance Authority (Authority), a discrete component unit of the State, had derivative instruments. The fair value of those derivative instruments outstanding at June 30, 2010, classified by type and changes in fair value are as follows (expressed in thousands):

		Change in Fair Value		Fair Value at June 30, 2010	
	Notional Amount	Classificication	Amount	Classificication	Amount
Cash flow hedges:					
Pay-fixed interest rate swaps	$ 35,757	Deferred outflow	$ (9,001)	Debt	$ (29,090)
Corridor agreement	8,040	Deferred outflow	(19)	Debt	6
Rate cap	22,000	Deferred outflow	235	Debt	844
Investment derivatives:					
Pay-fixed interest rate swaps	56,330	Investment income	(602)	Investment	(902)
Corridor agreement	8,040	Investment income	(4)	Investment	(2)
Forward mortgage-backed security sale	1,563	Investment income	(38)	Investment	(1,500)
					$ (30,644)

The fair value of the interest rate swaps (including the corridor agreement) were estimated based on an independent pricing service to get the fair values. The valuations provided were derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the interest rate swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the interest rate swaps. Fair values of options are based on option pricing models such as the Black-Scholes-Merton model, or any of the short-rate models of interest rate, or other market standard models consistent with accepted practices in the market for interest rate products. The models would consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions. The fair values of the interest rate cap and the forward contract were estimated based on the present value of their estimated future cash flows.

Objectives and Terms of Hedging Derivative Instruments: The following table displays the objectives and terms of the Authority's hedging derivative instruments outstanding at June 30, 2010, (expressed in thousands):

Type	Objective	Notional Amount	Effective Date	Maturity Date	Term
Corridor agreement	Hedge of change in cash flows of the SF 2002 I bond series	$ 6,210	10/30/2002	7/1/2032	Pay 3.653% ; receive SIFMA Swap Index +0.10%
Corridor agreement	Hedge of change in cash flows of the SF 2003 F bond series	18,980	6/25/2003	1/3/2033	Pay 3.613% ; receive 65% of LIBOR +0.23%
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2004 B bond series	15,000	12/2/2004	7/1/2034	Pay 4.086% ; receive enhanced LIBOR
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2004 D bond series	12,520	2/3/2005	7/1/2020	Pay 4.007% ; receive SIFMA Swap Index + 0.10%; Various percentage of LIBOR + spread
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2004 G bond series	20,000	6/1/2005	7/1/2034	Pay 3.867% ; receive enhanced LIBOR
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2005 C bond series	24,000	11/1/2005	1/1/2036	Pay 4.140% ; receive SIFMA Swap Index + 0.10%; Various percentage of LIBOR + spread
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2005 E bond series	24,000	2/1/2006	1/1/2036	Pay 3.817%; receive enhanced LIBOR
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2005 H bond series	24,000	5/1/2006	7/1/2036	Pay 3.843%; receive SIFMA Swap Index + 0.10%; Various percentage of LIBOR + spread
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2006 C bond series	12,000	9/1/2006	1/1/2036	Pay 3.766%; receive enhanced LIBOR
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2006 F bond series	12,000	11/1/2006	7/1/2036	Pay 4.632%; receive SIFMA Swap Index +0.10%
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2007 C bond series	28,740	3/8/2007	7/1/2025	Pay 5.289%; receive LIBOR
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2007 G bond series	27,590	7/12/2007	1/1/2019	Pay 5.493%; receive LIBOR
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2007 M bond series	22,815	12/12/2007	7/1/2021	Pay 4.373%; receive LIBOR
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2007 N bond series	14,550	12/12/2007	1/1/2039	Pay 4.364%; receive SIFMA Swap Index +0.06%
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2008 B bond series	25,935	4/16/2008	1/1/2039	Pay 4.470%; receive SIFMA Swap Index +0.06%

(continued on next page)

Type	Objective	Notional Amount	Effective Date	Maturity Date	Term
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2008 C bond series	$ 26,805	4/16/2008	1/1/2026	Pay 3.880%; receive LIBOR
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2008 F bond series	17,330	10/1/2008	1/1/2039	Pay 4.529%; receive SIFMA Swap Index +0.08%
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2008 G bond series	21,345	10/1/2008	7/1/2018	Pay 4.173%; receive LIBOR
Pay-fixed interest rate swap	Hedge of change in cash flows of the MF 2008 A bond series	3,750	4/17/2008	6/1/2024	Pay 3.971%; receive SIFMA Swap Index +0.08%
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2003 B bond series	3,740	3/19/2003	7/1/2012	Pays 11% cap, 3-month LIBOR; receives 6% cap, 3-month LIBOR
Pay-fixed interest rate swap	Hedge of change in cash flows of the SF 2008 G bond series	4,300	6/25/2003	7/1/2013	Pays 10% cap, 3-month LIBOR; receives 5% cap, 3-month LIBOR
Rate cap	Rate cap flows on the MF 2007 A bond series	12,700	6/14/2007	7/1/2012	SIFMA swap index cap at 4.5%
Rate cap	Rate cap flows on the MF 2007 B bond series	9,300	6/14/2007	1/1/2024	SIFMA swap index cap at 4.5% until 7/1/14, 5.0% until 7/1/19, 5.5% thereafter

Risks Associated and Derivative Transactions:

Credit risk. The Authority is exposed to credit risk on hedging derivatives instruments that are in asset positions. The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2010, was $2,350,943. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

UBS AG and Goldman Sachs Capital Markets, LP are currently counterparties under the derivatives agreements with the Authority. UBS AG is currently rated Aa3 by Moody's and the agreements with Goldman Sachs Capital Markets, LP are fully guaranteed by Goldman Sachs Group, which is also currently rated Aa3 Moody's.

With respect to counterparty risk, the Authority will also manage the agreements and all transactions entered into with UBS AG and Goldman Sachs Capital Markets, LP to ensure that the Authority's exposure to either of its counterparties does not exceed a proper amount.

Interest rate risk. The Authority is exposed to interest rate risk on its derivatives. On its pay-fixed, receive-variable derivatives, as the LIBOR or SIFMA swap index decreases, the Authority's net payment on the derivatives increases.

Basis risk. Basis risk refers to a mismatch between the interest rate received from the derivative counterparty and the interest rate actually owed on the Authority's bonds. Specifically, the Authority's basis risk is that the variable interest payment received from the counterparty will be less than the actual variable interest payments owed on the Authority's variable rate bonds. The mismatch between the Authority's actual bond rate and the derivative rate is the Authority's basis risk. As of June 30, 2010, the weighted average interest rate of the Authority's hedged variable rate debt is 4.20%, while the SIFMA swap index rate is 0.25%. LIBOR is 0.35% at June 30, 2010.

Termination risk. Termination risk is the risk that the swap could be terminated as a result of any of several events, which may include a ratings downgrade of the Authority's single family mortgage bonds or of UBS AG or Goldman Sachs Capital Markets, LP covenant violation by a party, bankruptcy of a party, swap payment default by a party, and default events as defined in the Authority's single family bond resolution; however, the Authority believes that the likelihood of any such termination event is remote.

Rollover risk. Rollover risk is the risk that the term of a particular swap contract is not coterminous with the related bonds. If an issuer entered into a swap to hedge for a specified period of time and then decides at swap maturity that it wished to maintain the same or similar hedge position, it may incur rehedging costs at that time. The Authority minimizes this risk by matching the term of the swaps with the maturity of the related bonds.

NOTE 3 – TRANSFERS

Interfund transfers for the year ended June 30, 2010, consisted of the following (expressed in thousands):

	Transferred In				
Transferred Out	General Fund	Nonmajor Governmental Funds	University Funds	Nonmajor Enterprise Funds	Total
General Fund	$ -	$ 134,790	$ 677,559	$ 7,287	$ 819,636
Tobacco Collections Fund	15,107	-	-	-	15,107
Nonmajor Governmental Funds	115,531	40,534	13,423	-	169,488
Unemployment Benefits Fund	6,528	-	-	-	6,528
Nonmajor Enterprise Funds	136,758	4,106	-	-	140,864
Total	$ 273,924	$ 179,430	$ 690,982	$ 7,287	$ 1,151,623

Transfers are used to move: 1) revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization and 3) profits from the Iowa Lottery Fund and Liquor Control Fund as required by law.

Not included in the table above are transfers totaling $3,778,912 for capital asset contributions from governmental activities to the business-type activities. These were appropriately recorded as expenditures and capital contributions in the governmental and business-type fund financial statements, respectively, and reclassified as transfers in the government-wide statement of activities.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2010, consisted of the following (expressed in thousands):

		Proprietary Funds		
	Governmental Funds	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds	Component Units
Accounts receivable:				
Taxes	$ 467,179	$ -	$ -	$ -
Pledges	2,187	-	-	231,263
Benefit overpayment	-	43,951	-	-
Employer contributions	-	179,656	-	-
Grants & contracts	1,145,646	629,307	-	-
Other	711,466	163,151	926	24,450
Less allowance for doubtful accounts	438,930	306,581	-	6,690
Less discount to present value	-	-	-	19,563
Accounts receivable (net)	$ 1,887,548	$ 709,484	$ 926	$ 229,460
Current	$ 1,819,639	$ 688,838	$ 926	$ 74,869
Noncurrent	67,909	20,646	-	154,591
Total	$ 1,887,548	$ 709,484	$ 926	$ 229,460
Loans receivable:				
Loans receivable	$ 246,716	$ 72,137	$ -	$ 957,198
Less allowance for doubtful accounts	83,607	3,414	-	10,789
Loans receivable (net)	$ 163,109	$ 68,723	$ -	$ 946,409
Current	$ 19,048	$ 6,523	$ -	$ 45,903
Noncurrent	144,061	62,200	-	900,506
Total	$ 163,109	$ 68,723	$ -	$ 946,409

NOTE 5 – INTERFUND BALANCES

Interfund balances for the year ended June 30, 2010, consisted of the following (expressed in thousands):

	Due From Other Funds/Advances To Other Funds						
Due To Other Funds/ Advances From Other Funds	General Fund	Tobacco Settlement Authority	Nonmajor Governmental Funds	Unemployment Benefits Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
General Fund	$ -	$ 5	$ 2,457	$ 1,469	$ 20	$ 57,122	$ 61,073
Tobacco Settlement Authority	158	-	-	-	-	-	158
Tobacco Collections Fund	-	50,724	-	-	-	-	50,724
Nonmajor Governmental Funds	5,280	-	1,218	-	-	124	6,622
Unemployment Benefits Fund	1,847	-	-	-	-	-	1,847
Nonmajor Enterprise Funds	14,623	-	578	-	-	34	15,235
Internal Service Funds	557	-	37	-	-	10,168	10,762
Total	$ 22,465	$ 50,729	$ 4,290	$ 1,469	$ 20	$ 67,448	$ 146,421

$44.2 million is due from the General Fund to the Workers' Compensation Fund (an Internal Service Fund) to fund the cost of claims incurred and $14.9 million is due from the Iowa Lottery Authority (an Enterprise Fund) to the General Fund to transfer lottery profits as required by law. Remaining interfund balances result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Not included in the table above are the following interfund advances, which are not expected to be repaid within one year: $3.0 million due from the General Fund to the Unemployment Benefits Fund (an Enterprise Fund) for amounts loaned for various projects per the Reed Act distribution under Section 903 of the Social Security Act.

Also, not included in the table above and not expected to be repaid within one year, are interfund advances of $512.5 million due from the Tobacco Collections Fund (a Special Revenue Fund) to the Tobacco Settlement Authority (a blended component unit classified as a Special Revenue Fund) for repayment of bonds issued by the Authority, the proceeds of which were provided to the State and $28 million due from the Honey Creek Park (an Enterprise Fund) to the Honey Creek Authority (a blended component unit classified as a Special Revenue Fund) for repayment of funds provided for development of the destination park. The interfund advances will be reduced by pledged tobacco settlement moneys received and the principal amount paid each year, respectively.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows (expressed in thousands):

	Beginning Balance	Beginning Balance Adjustment	Beginning Balance, Restated	Reclass-ifications	Increases	Decreases	Ending Balance
Governmental activities							
Capital assets not being depreciated:							
Land	$ 655,628	$ -	$ 655,628	$ -	$ 29,081	$ 2,787	$ 681,922
Construction in progress	101,838	-	101,838	(67,986)	91,213	-	125,065
Computer software in progress	-	-	-	-	12,874	-	12,874
Total capital assets not being depreciated	757,466	-	757,466	(67,986)	133,168	2,787	819,861
Capital assets being depreciated:							
Infrastructure	8,893,635	-	8,893,635	447	648,235	-	9,542,317
Works of art and historical treasures	1,415	-	1,415	-	-	-	1,415
Land improvements	40,046	-	40,046	1,122	28	80	41,116
Buildings and improvements	1,150,552	-	1,150,552	64,991	18,622	430	1,233,735
Machinery, equipment and vehicles	453,432	-	453,432	1,426	35,897	23,350	467,405
Computer software	-	5,871	5,871	-	5,755	-	11,626
Total capital assets being depreciated	10,539,080	5,871	10,544,951	67,986	708,537	23,860	11,297,614
Less accumulated depreciation for:							
Infrastructure	3,974,858	-	3,974,858	-	371,024	-	4,345,882
Works of art and historical treasures	130	-	130	-	14	-	144
Land improvements	14,642	-	14,642	-	400	8	15,034
Buildings and improvements	505,766	-	505,766	-	26,742	380	532,128
Machinery, equipment and vehicles	265,757	-	265,757	-	37,418	20,900	282,275
Computer software	-	4,297	4,297	-	1,728	-	6,025
Total accumulated depreciation	4,761,153	4,297	4,765,450	-	437,326	21,288	5,181,488
Total capital assets being depreciated (net)	5,777,927	1,574	5,779,501	67,986	271,211	2,572	6,116,126
Governmental activities capital assets (net)	$6,535,393	$ 1,574	$6,536,967	$ -	$404,379	$ 5,359	$6,935,987
Business-type activities							
Capital assets not being depreciated:							
Land	$ 41,881	$ -	$ 41,881	$ -	$ 2,405	$ -	$ 44,286
Land improvements	5,733	-	5,733	-	-	-	5,733
Construction in progress	424,991	-	424,991	(241,820)	288,732	1,299	470,604
Computer software in progress	-	-	-	4,469	12,523	-	16,992
Works of art	32,651	-	32,651	-	129	-	32,780
Library collections	230,300	-	230,300	-	15,136	2,573	242,863
Total capital assets not being depreciated	735,556	-	735,556	(237,351)	318,925	3,872	813,258
Capital assets being depreciated:							
Infrastructure	701,711	-	701,711	21,405	80	521	722,675
Library collections	215,934	-	215,934	-	9,842	1,680	224,096
Land improvements	52,235	-	52,235	3,037	21	1,423	53,870
Buildings and improvements	3,448,432	-	3,448,432	212,909	2,399	14,688	3,649,052
Machinery, equipment and vehicles	997,701	-	997,701	(82,310)	72,207	59,186	928,412
Computer software	-	-	-	82,310	2,034	12,990	71,354
Total capital assets being depreciated	5,416,013	-	5,416,013	237,351	86,583	90,488	5,649,459
Less accumulated depreciation for:							
Infrastructure	409,053	-	409,053	-	26,043	240	434,856
Library collections	169,489	-	169,489	-	9,778	1,680	177,587
Land improvements	30,005	-	30,005	-	2,162	24	32,143
Buildings and improvements	1,554,477	-	1,554,477	-	114,655	11,566	1,657,566
Machinery, equipment and vehicles	605,806	-	605,806	(29,485)	76,604	53,061	599,864
Computer software	-	-	-	29,485	6,328	9,904	25,909
Total accumulated depreciation	2,768,830	-	2,768,830	-	235,570	76,475	2,927,925
Total capital assets being depreciated (net)	2,647,183	-	2,647,183	237,351	(148,987)	14,013	2,721,534
Business-type activities capital assets (net)	$3,382,739	$ -	$3,382,739	$ -	$169,938	$ 17,885	$3,534,792

Depreciation was charged to functions of the primary government as follows (expressed in thousands):

Governmental activities:	
Administration & regulation	$ 8,084
Education	6,060
Heath & human rights	3,451
Human services	5,063
Justice & public defense	20,845
Economic development	408
Transportation	371,927
Agriculture & natural resources	6,072
Subtotal	421,910
Depreciation on capital assets held by the State's internal service funds is allocated to the various functions based on their use of the assets	15,416
Total	$ 437,326
Business-type activities:	
Enterprise	$ 235,570

Discretely Presented Component Units

Capital assets not being depreciated:	
Land	$ 7,233
Construction in progress	9,455
Total capital assets not being depreciated	16,688
Capital assets being depreciated:	
Infrastructure	9,786
Buildings and improvements	97,123
Land improvements	45
Machinery, equipment and vehicles	10,622
Computer software	6,035
Total capital assets being depreciated	123,611
Less accumulated depreciation	48,227
Total capital assets being depreciated (net)	75,384
Discretely presented component units capital assets (net)	$ 92,072

Impairment of Capital Assets

The calculation of a net impairment gain associated with 30 impaired buildings and infrastructure at the University of Iowa has been updated to reflect the current estimate of damages, restoration and recovery as required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (expressed in thousands). See NOTE 24 – EXTRAORDINARY ITEM for additional information.

The University of Iowa had idle assets at June 30, 2010, with a carrying value of $21.4 million.

The gross impairment loss is calculated using the restoration cost approach by applying a ratio of the estimated restoration costs to replacement costs, multiplied by the carrying value of each impaired asset. As a result, assets fully depreciated prior to the flood would have an impairment loss of zero, regardless of damage. The expected cost to restore the impaired buildings (excluding building contents) is $162.5 million. Estimated replacement cost of all impaired buildings is $1.73 billion, resulting in a gross impairment loss of $26.4 million. The realizable insurance recovery associated with building impairment is estimated to be $54.7 million, resulting in a net impairment gain of $28.3 million. An incremental change in net impairment loss of $11.8 million is recorded in the financial statements for the year ended June 30, 2010.

The June 2008 flood is treated as an extraordinary event as it meets the criteria for being both unusual in nature and infrequent in occurrence. The GASB 42 net impairment gains are recorded as extraordinary items in the financial statements. The future costs which will be expended to restore impaired buildings will be recorded as separate transactions as restoration occurs.

NOTE 7 – INVESTMENT IN PRIZE ANNUITIES AND ANNUITY PRIZES PAYABLE

Assets totaling $10,744,274, which includes $1,400 of cash, are held by the Iowa Lottery Authority for the purpose of paying installment prizes which have already been won but will not be fully paid until 2018. Annuity liabilities to fund jackpot winners are valued at an amount equal to the carrying values of the respective assets held to fund the annuity obligations. Annuity prizes payable does not include an additional liability of $1,400 to taxing authorities. The following is a schedule of future payments (expressed in thousands):

Year Ending June 30,	Current	Noncurrent	Total Payments
2011	$ 2,167	$ -	$ 2,167
2012	-	1,488	1,488
2013	-	1,488	1,488
2014	-	1,490	1,490
2015	-	1,486	1,486
Thereafter	-	3,282	3,282
Total future value	2,167	9,234	11,401
Less: unamortized discount	71	587	658
Present value of payments	$ 2,096	$ 8,647	$ 10,743

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts due within one year
Governmental activities					
Compensated absences	$ 318,557	$ 153,825	$ 183,649	$ 288,733	$ 126,422
Capital leases	4,419	2,340	1,225	5,534	705
Other financing arrangements	2,921	-	382	2,539	394
Revenue bonds	1,017,620	640,738	26,413	1,631,945	85,454
Early retirement/ termination benefits	12,869	157,176	11,235	158,810	34,667
Risk management	18,000	8,714	8,714	18,000	13,179
Pollution remediation	50,663	-	3,804	46,859	7,389
Other liabilities	38,053	6,873	166	44,760	119
Total *	1,463,102	969,666	235,588	2,197,180	268,329
Allocation of Internal Service Funds liability:					
Compensated absences	6,051	2,444	3,124	5,371	2,718
Capital leases	19	-	19	-	-
Early retirement/ termination benefits	369	3,887	275	3,981	875
Total	6,439	6,331	3,418	9,352	3,593
Total primary government - governmental activities	$ 1,469,541	$ 975,997	$ 239,006	$ 2,206,532	$ 271,922
Business-type activities					
Compensated absences	$ 170,781	$ 69,092	$ 68,034	$ 171,839	$ 66,398
Capital leases	147,891	21,573	30,057	139,407	8,797
Other financing arrangements	21,283	4,315	1,596	24,002	883
Revenue bonds	1,142,847	265,910	126,869	1,281,888	52,454
Total primary government - business-type activities	$ 1,482,802	$ 360,890	$ 226,556	$ 1,617,136	$ 128,532

* The General Fund has typically been used to liquidate most long-term liabilities, except for $757.3 million and $33.6 million of revenue bonds to be liquidated by the Tobacco Settlement Authority and the Honey Creek Authority, respectively, both Special Revenue Funds.

NOTE 9 – CAPITAL LEASES

The State has entered into agreements to lease various equipment and property. The agreements have interest rates ranging from 0.00% to 21.96% and expire before June 30, 2031.

The State has also entered into a few installment purchase agreements. Because the amounts involved are not material, and the accounting treatment is similar, such agreements are reported together with capital leases.

A. Primary Government

Governmental Activities

The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2011	$ 705	$ 154
2012	992	197
2013	916	154
2014	737	116
2015	666	85
2016-2020	826	85
2021-2025	358	25
Thereafter	334	12
Total	$ 5,534	$ 828

The historical cost of assets acquired under capital leases and included in capital assets on the government-wide statements at June 30 follows (expressed in thousands):

Buildings & improvements	$ 3,154
Equipment	1,215
Total	4,369
Accumulated depreciation	(960)
Net	$ 3,409

Business-type Activities

The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2011	$ 8,797	$ 7,088
2012	9,104	6,538
2013	9,271	6,171
2014	9,203	5,797
2015	8,631	4,700
2016-2020	48,558	17,199
2021-2025	24,418	8,920
2026-2030	19,850	3,316
Thereafter	1,575	74
Total	$ 139,407	$ 59,803

The historical cost of assets acquired under capital leases and included in capital assets on the financial statements at June 30 follows (expressed in thousands):

Land	$ 1,502
Construction in progress	3,338
Buildings	209,958
Equipment	4,620
Total	219,418
Accumulated depreciation	(42,089)
Net	$ 177,329

B. Component Units

The University of Iowa Foundation has entered into a lease agreement with the University of Iowa for a leasehold interest in a building. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal
2011	$ 610
2012	610
2013	645
2014	670
2015	690
Thereafter	3,070
Total	$ 6,295

NOTE 10 – OTHER FINANCING ARRANGEMENTS PAYABLE

A. Loans and Contracts Payable – Primary Government

Governmental Activities

The Iowa Department of Natural Resources has entered into agreements for facilities and land for a total of $3,918,000 with interest rates ranging from 3.00% to 4.30%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2011	$ 194	$ 84
2012	204	78
2013	212	71
2014	219	63
2015	230	56
2016-2020	1,057	153
Thereafter	223	14
Total	$ 2,339	$ 519

Business-type Activities

Iowa State University, the University of Northern Iowa and the University of Iowa have entered into agreements for buildings and equipment for a total of $40,617,748. The agreements are for periods of 7 to 23 years with interest rates ranging from 0.00% to 6.50%. The following is a schedule by year of future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2011	$ 883	$ 663
2012	15,819	521
2013	265	196
2014	213	185
2015	142	175
2016-2020	1,077	720
2021-2025	1,358	398
Thereafter	4,245	159
Total	$ 24,002	$ 3,017

B. Certificates of Participation – Primary Government

Governmental Activities

The Third Judicial District has sold certificates of participation for land and facilities for $2,285,000. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over 20 years with an interest rate of 4.87%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2011	$ 200	$ 10

NOTE 11 – BONDS PAYABLE

Revenue bonds payable at June 30, 2010, are as follows (expressed in thousands):

	ISSUE DATES	ORIGINAL ISSUANCE	INTEREST RATES	MATURITY DATE RANGE	OUTSTANDING PRINCIPAL
PRIMARY GOVERNMENT					
Governmental activities					
Revenue bonds					
Term bonds					
Tobacco Settlement Authority	2006	$ 635,635	5.38-6.50	2007-2041	$ 578,575
Honey Creek Authority	2007	15,215	4.50	2029-2036	15,215
Iowa Utilities Board	2010	12,640	5.04	2029	12,640
Total					606,430
Serial bonds					
Vision Iowa	2002	$ 196,375	2.25-5.50	2002-2020	130,025
School Infrastructure	2002	48,585	3.50-5.50	2002-2021	28,775
Honey Creek Authority	2007	18,155	3.95-5.00	2011-2028	18,155
Department of Corrections (1)	2002	54,240	4.00-5.38	2007-2016	36,540
IJOBS	2010	601,070	3.00-6.75	2011-2034	601,070
Total					814,565
Capital appreciation bonds					
Tobacco Settlement Authority	2006	$ 729,800	5.60-7.13	2007-2046	729,800
Total revenue bonds					2,150,795
Unamortized premium					33,421
Unamortized discount					(552,271)
Total governmental activities					$ 1,631,945
Business-type activities					
Revenue bonds					
University of Iowa	1968-2010	$ 860,350	2.00-8.38	1994-2037	$ 747,437
Iowa State University	1988-2010	477,040	2.00-6.10	1997-2038	407,675
University of Northern Iowa	1994-2010	172,091	1.80-8.25	1995-2035	126,833
Iowa Lottery Authority	2004	8,800	3.28	2005-2019	1,300
Total revenue bonds					1,283,245
Unamortized discount					(1,357)
Total business-type activities					$ 1,281,888
COMPONENT UNITS					
Revenue bonds					
Iowa Finance Authority	1977-2010	$ 2,681,562	variable (2)	2001-2041	$ 1,831,028
Iowa State University Foundation	2002	3,850	4.75	2003-2020	2,862
Total revenue bonds					1,833,890
Unamortized premium					18,719
Total component units					$ 1,852,609

(1) The Iowa Finance Authority (Finance Authority) has characterized the bonds as conduit debt obligations and omitted them from the Finance Authority's financial statements. Although these bonds have characteristics of conduit debt, GASB has stated such debt is not conduit debt when the issuer (Finance Authority) and the beneficiary (the State of Iowa) are within the same financial reporting entity. Since the bonds are not conduit debt, the Finance Authority should have included the liability for the bonds and the due from the State of Iowa in its financial statements and the State of Iowa's financial statements should have reported a due to Finance Authority rather than a liability for bonds payable. Because there is no significant effect on the net assets of the Finance Authority or the State of Iowa as a result of the Finance Authority's omission, the CAFR has been prepared to reflect the reporting method used by the Finance Authority in its annual financial statements for the year ended June 30, 2010.

(2) Variable rates are as of June 30, 2010.

A. Primary Government – Governmental Activities

Vision Iowa

The State of Iowa has issued Vision Iowa Special Fund Bonds to provide grants or loans to communities to enhance local recreational, cultural and entertainment opportunities.

The State has pledged a portion of the future revenues to be deposited into the Vision Iowa Fund to repay $196.4 million in bonds issued in November 2001. These revenues include a standing appropriation of $15 million annually from gaming revenues, certain earnings on the Vision Iowa Fund and Bond Reserve Fund (including any amounts appropriated to replenish the Bond Reserve Fund to its required balance) and, to the extent of any shortfall in gaming revenues, Lottery revenues. The bonds are payable solely and only from certain revenues deposited into the Vision Iowa Fund and the Bond Reserve Fund and are payable through fiscal year 2021. Annual principal and interest payments on the bonds are expected to require less than 89% of total deposits into the Vision Iowa Fund. As of June 30, 2010, total principal and interest remaining to be paid on the debt is $175,382,886. Principal and interest paid for the current year and total deposits into the Vision Iowa Fund were $15,895,599 and $16,738,665, respectively.

The bonds are not debts of the State or any political subdivision of the State, and do not constitute a pledge of the faith and credit of the State or a charge against the general credit or General Fund of the State.

School Infrastructure

The State of Iowa has issued School Infrastructure Special Fund Bonds to assist local school districts with the construction and renovation of facilities. The funds will provide grants limited to $1,000,000 and require a local match.

The State has pledged a portion of the future revenues to be deposited into the School Infrastructure Fund to repay $48.6 million in bonds issued in November 2001. These revenues include a standing appropriation of $5 million annually from gaming revenues, certain earnings on the School Infrastructure Fund and Bond Reserve Fund (including any amounts appropriated to replenish the Bond Reserve Fund to its required balance) and, to the extent of any shortfall in gaming revenues, Lottery revenues. The bonds are payable solely and only from certain revenues deposited into the School Infrastructure Fund and the Bond Reserve Fund and are payable through fiscal year 2021. Annual principal and interest payments on the bonds are expected to require less than 69% of total deposits into the School Infrastructure Fund. As of June 30, 2010, total principal and interest remaining to be paid on the debt is $38,127,475. Principal and interest paid for the current year and total deposits into the School Infrastructure Fund were $3,468,262 and $5,254,681, respectively.

The bonds are not debts of the State or any political subdivision of the State, and do not constitute a pledge of the faith and credit of the State or a charge against the general credit or General Fund of the State.

Tobacco Settlement Authority

The Tobacco Settlement Authority (Authority) has issued Tobacco Settlement Asset-Backed Bonds to advance refund outstanding tobacco settlement asset-backed bonds and to provide funding to the State for various capital projects.

Pursuant to a Sales Agreement between the State and Authority, the State has pledged, as security for bonds issued by the Authority, 78% of the amounts payable to the State under the Master Settlement Agreement (the "MSA") entered into by participating cigarette manufacturers (the "PMs"), 46 states (including the State) and six other U.S. jurisdictions in November 1998 in the settlement of certain smoking-related litigation, including the State's right to receive future initial, annual and strategic contribution payments (the "TSRs"), to be made by the PMs under the MSA.

The bonds, issued by the Authority in fiscal year 2006 in the par amount of $1.4 billion are payable through fiscal year 2046. The Authority has pledged, as the sole security for the bonds, 78% of the future TSRs payable under the terms of the Sales Agreement, investment earnings on certain accounts pledged under the bond indenture and amounts held in accounts established under the bond indenture (i.e. collection, debt service reserve, turbo redemption, etc.). As of June 30, 2010, total principal and interest remaining on the debt is $2,316,704,093 with annual requirements ranging from $103.2 million in 2011 to $734.9 million in the final year. TSRs received by the State have averaged $57,549,448 per year over the last 12 years. For the current year, principal and interest paid by the Authority and the total TSRs recognized by the State were $56,860,153 and $68,669,779, respectively.

The bonds are not a general obligation or general indebtedness of the Authority and do not constitute an obligation or indebtedness of the State or any political subdivision of the State. The State has no obligation or intention to satisfy any deficiency or default of any payment on bonds.

In prior years, the Authority defeased certain revenue bonds by placing the proceeds of new bonds along with other resources in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Tobacco Settlement Asset-Backed Bonds, Series 2001 A and 2001 B. Accordingly, trust account assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2010, bonds totaling $572,395,000 are considered defeased.

Honey Creek Authority

The Honey Creek Authority (Authority) has issued Destination Park Revenue Bonds to provide financing for the development by the State of the Honey Creek Park (the "Park").

Pursuant to an Indenture of Trust among the Authority, the Iowa Department of Natural Resources, the Treasurer of the State of Iowa and Bankers Trust Company, N.A. (the "Trustee"), the State has pledged, as security for the bonds issued by the Authority, amounts sufficient to cover the principal and interest requirements on the Authority's debt consisting of net revenues from Honey Creek Park, if any, and the Debt Service Reserve Account (including any amounts appropriated by the State for the replenishment of the Debt Service Reserve Account to its required balance). The bonds, issued by the Authority in fiscal year 2007 for $33.4 million, are payable through fiscal year 2036. The Authority has pledged, as the sole security for the bonds, net revenues to be received under the Indenture, if any, and amounts in the Honey Creek Fund and the Debt Service Reserve Account and all other moneys and securities pledged or assigned to the Trustee under the Indenture. During the year ended June 30, 2010, the Department of Natural Resources provided $1,444,566, on behalf of Honey Creek Park, to the Authority for payment of bond interest. As of June 30, 2010, total principal and interest remaining on the debt is $58,528,265 with annual requirements ranging from $1.9 million in 2011 to $2.3 million in the final year. Interest paid by the Authority in the current year totaled $1,507,785. The first principal payment on the bonds is due June 1, 2011.

The bonds are not an indebtedness of the State or a charge against the general credit or General Fund of the State and the State is not liable for the bonds except for amounts on deposit in the funds pledged to payment of the bonds. The bonds are not an obligation of the State or any political subdivision of the State.

Iowa Department of Corrections

The Iowa Finance Authority (Finance Authority) has issued serial bonds for financing the construction or renovation of correctional facilities in the State. The Iowa Department of Corrections administers the State's correctional facilities and authorizes expenditures under the program.

Pursuant to an Indenture of Trust among the Finance Authority, the Iowa Department of Corrections and U.S. Bank National Association (the "Trustee"), the State has pledged, as security for the bonds issued by the Finance Authority, amounts sufficient to cover the principal and interest requirements on the Finance Authority's debt consisting of all funds deposited into the Iowa Prison Infrastructure Fund (not reverting to the State General Fund at year end), investment earnings on moneys in the Iowa Prison Infrastructure Fund and certain other moneys held by the Trustee under the Indenture. Current State law requires the first $9,500,000 of moneys remitted to the Treasurer of State each fiscal year from certain fees and fines collected from the clerks of district court in criminal cases be deposited in the Iowa Prison Infrastructure Fund. The bonds, issued by the Finance Authority in fiscal year 2002 for $54.2 million, are payable through fiscal year 2016. The Finance Authority has pledged, as sole security for the bonds, all funds deposited in the Iowa Prison Infrastructure Fund (not reverting to the State General Fund at year end), investment earnings on moneys in the Iowa Prison Infrastructure Fund and certain other moneys held by the Trustee under the Indenture. Annual principal and interest payments on the bonds are expected to require less than 88% of total deposits into the Iowa Prison Infrastructure Fund. As of June 30, 2010, total principal and interest remaining to be paid on the debt is $42,859,138. Principal and interest paid for the current year and total deposits into the Iowa Prison Infrastructure Fund were $8,402,981 and $9,565,631, respectively.

The bonds are limited special obligations of the Finance Authority and do not constitute a general obligation of the Finance Authority, the State of Iowa or any political subdivision thereof.

IJOBS

The State of Iowa has issued IJOBS Program Special Obligation Bonds to finance certain infrastructure projects of the State, and certain grant and loan programs of the State. The State has pledged a portion of future revenues to

repay $601.1 million ($380.1 million in State of Iowa IJOBS Program Special Obligation Bonds Series 2009A and $221 million in State of Iowa IJOBS Program Special Obligation Bonds Taxable Series 2009B) in bonds issued in July 2009. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of $55 million annually from gaming revenues and to the extent of any shortfall in gaming revenues, beer and liquor revenues. The State has designated the Series 2009B Bonds as Build America Bonds under the American Recovery and Reinvestment Act of 2009, and as such, elected to receive from the federal government a subsidy equal to 35% of the amount of each interest payment on the taxable bonds. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2034. As of June 30, 2010, total principal and interest remaining to be paid on the debt is $1,128,544,831. Interest paid in the current year totaled $28,559,577. The first principal payment on the bonds is due June 1, 2011.

Iowa Utilities Board and Consumer Advocate State Building

The State of Iowa has issued Iowa Utilities Board and Consumer Advocate State Building Special Obligation Bonds used to finance the costs of construction of a new building. All amounts collected by the Iowa Utilities Board shall be deposited in accordance with Iowa Code Sections 476.10 and 476.10B as Chargeable Expenses in each fiscal year until the amount of deposit is equal to the amount of principal and interest on the bonds due in that fiscal year. The bonds are payable from the Bond Fund and are payable through fiscal year 2029. As of June 30, 2010, total principal and interest remaining to be paid on the debt is $20,022,844. Interest paid in the current year totaled $504,336. The first principal payment on the bonds is due June 15, 2011.

Underground Storage Tank

The Iowa Finance Authority (Finance Authority) has issued serial bonds to finance the Underground Storage Tank Financial Responsibility Program. The program provides payment for remediation claims of contamination of ground water sites due to leakage, spill or release of petroleum products by owner/operators.

In a prior year, the Finance Authority defeased certain revenue bonds by placing proceeds from existing resources in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Iowa Underground Storage Tank Fund Revenue Refunding Bonds, 2004 Series A. Accordingly, trust account assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2010, bonds totaling $10,595,000 are considered defeased.

Future bond debt service requirements of the Primary Government – Governmental Activities are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest
2011	$ 91,440	$ 89,300
2012	64,280	83,932
2013	68,785	80,354
2014	73,575	76,464
2015	42,130	72,212
2016-2020	184,030	332,120
2021-2025	147,850	287,023
2026-2030	164,100	250,579
2031-2035	347,880	182,741
2036-2040	105,685	102,453
2041-2045	135,120	63,218
Thereafter	725,920	8,979
Total	$2,150,795	$1,629,375

B. Primary Government – Business-type Activities

Universities

During the current year, the *University of Iowa* issued $27,025,000 in Academic Building Revenue Bonds, Series S.U.I. 2009, with an interest rate of 3.00% and $9,945,000 in Academic Building Revenue Bonds, Series S.U.I. 2010, with an interest rate range of 3.00-4.20% for the purpose of defraying the costs of constructing and renovating academic buildings of the University.

During the current year, the *University of Iowa* issued $25,175,000 of Recreational Facilities Revenue Bonds with an interest rate range of 3.00-4.88% for the purpose of financing a portion of the cost of building, furnishing, and equipping a Campus Recreation and Wellness Center on campus, constructing improvements to the University's Field House, to fund a deposit to the Reserve Fund, and for paying the costs of issuance.

During the current year, the *University of Iowa* issued $26,000,000 of Athletic Facilities Revenue Bonds with an interest rate range of 3.60-4.35% to defray the costs of constructing and equipping certain athletic and recreational buildings and facilities at the University. The revenues pledged to these bonds are generated by student fees, tickets sold to athletic events and concessions at athletic events.

During the current year, the *University of Iowa* issued $25,000,000 of Telecommunications Facilities Revenue Bonds with an interest rate range of 3.00-4.25% to defray the costs of constructing, equipping, furnishing, and improving the telecommunications facilities of the University. The revenues pledged to these bonds come from charges assessed to the users of the telecommunications facilities.

During the current year, the *University of Iowa* issued $25,000,000 of Utility Systems Revenue Bonds with an interest rate range of 3.00-4.125% to defray additional costs to construct, equip and furnish the utility system of the University. The revenues pledged to these bonds come from charges assessed to the users of the utility system.

During the current year, the *University of Iowa* issued $6,255,000 of Parking System Revenue Refunding Bonds, Series S.U.I. 2009, with an average interest rate of 4.015% and accrued interest of $6,000 to advance refund $6,610,000 of outstanding Parking System Revenue Bonds, Series S.U.I 1999B with interest rates ranging between 4.05 and 4.60%.

Net bond proceeds of $6,481,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Parking System Revenue Bonds, Series S.U.I 1999B were called on September 1, 2009.

The advance refunding permitted the University of Iowa to realize an economic gain (difference between present values of the old and new debt service payments) of $388,000; and reduced the aggregate debt service payments by $427,000 over the next ten years.

During the current year, the *University of Iowa* issued $19,010,000 of Utility System Revenue Refunding Bonds, Series S.U.I. 2009, with an average interest rate of 3.220% and accrued interest of $3,000 to advance refund $19,990,000 of outstanding Utility System Revenue Bonds, Series S.U.I 1998, 1999A and 1999B with interest rates ranging between 4.05 and 5.00%.

Net bond proceeds of $19,758,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Utility System Revenue Bonds, Series S.U.I 1998, 1999A and 1999B were called on November 1, 2009.

The advance refunding permitted the University of Iowa to realize an economic gain (difference between present values of the old and new debt service payments) of $5,406,000; and reduced the aggregate debt service payments by $5,542,000 over the next ten years.

During the current year, the *University of Iowa* issued $20,015,000 of Dormitory Revenue Refunding Bonds, Series S.U.I. 2010, with an average interest rate of 3.086% and accrued interest of $5,000 to advance refund $19,905,000 of outstanding Dormitory Revenue Bonds, Series S.U.I 2000 and 2001 with interest rates ranging between 3.90 and 5.375%.

Net bond proceeds of $20,429,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Dormitory Revenue Bonds, Series S.U.I 2000 and 2001 will be called on July 1, 2011.

The advance refunding permitted the University of Iowa to realize an economic gain (difference between present values of the old and new debt service payments) of $3,322,000; and reduced the aggregate debt service payments by $3,528,000 over the next eleven years.

In prior years, the *University of Iowa* defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2010, bonds totaling $28,710,000 for the University of Iowa were considered defeased.

Iowa State University issued Academic Building Revenue Bonds, Series I.S.U. 2009A for $26,000,000 in October, 2009. These bonds will bear interest at varying rates between 3.0% and 5.0% and will mature in varying amounts from July 1, 2016 through July 1, 2035. The proceeds of these bonds will be used to pay a portion of the costs of constructing, improving, remodeling, repairing and equipping the Chemistry Building (Hach Hall), funding a capitalized interest fund, funding a reserved fund and paying the costs of issuing the bonds. These bonds will be payable solely out of gross student fees and charges and institutional income received by Iowa State University.

During the current fiscal year, *Iowa State University* issued $24,000,000 of Recreational System Facilities Revenue Bonds, with an interest rate range of 2.00-4.375% to provide funds to construct, furnish and equip a new recreational building space and complete other improvements to recreational facilities.

During the current year, *Iowa State University* issued $15,165,000 in Academic Building Revenue Refunding Bonds, Series I.S.U. 2009, the proceeds of which were placed in an irrevocable trust to refund $15,645,000 of Academic Building Revenue Bonds Refunding Series I.S.U. 1998, Refunding Series I.S.U. 2001A, and Refunding Series I.S.U. 2001B. The current refunding of these bonds permitted the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $336,489 and will reduce future aggregate debt service payments over the next 10 years by $1,773,741.

During the current year, *Iowa State University* issued $13,065,000 in Dormitory Revenue Refunding Bonds, Series I.S.U. 2010, the proceeds of which were placed in an irrevocable trust to refund $12,955,000 of Dormitory Revenue Bonds, Series I.S.U. 1999A. The current refunding of these bonds permitted the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $988,678 and will reduce future aggregate debt service payments over the next 17 years by $1,857,850.

In prior years, *Iowa State University* defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2010, bonds totaling $22,695,000 for Iowa State University were considered defeased.

During the current fiscal year, the U*niversity of Northern Iowa* issued $4,255,000 of Series 2010 Academic Building Revenue Refunding Bonds with an interest rate range of 2.00-3.13%. The bond proceeds refunded $4,320,000 of Dormitory Revenue Bonds, Series U.N.I. 1999. The current refunding of these bonds permitted the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $312,956 and will reduce future aggregate debt service payments over the next 10 years by $348,751.

Iowa Lottery Authority

The Iowa Lottery Authority has issued Iowa Lottery Authority Bonds to finance the purchase and installation of instant ticket and pull-tab vending machines and the purchase and renovation of a building to be used as the lottery headquarters.

Future bond debt service requirements for bonds of the Primary Government – Business-type Activities are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest
2011	$ 52,454	$ 55,986
2012	55,037	51,275
2013	85,113	49,421
2014	60,579	46,062
2015	57,661	44,171
2016-2020	304,116	183,397
2021-2025	300,255	117,428
2026-2030	236,730	54,769
2031-2035	109,355	16,172
Thereafter	21,945	1,033
Total	$ 1,283,245	$ 619,714

C. Component Units

Iowa Finance Authority

The Iowa Finance Authority (Finance Authority) is authorized and has issued bonds to provide affordable mortgage financing and to meet the 20% State match required for federal capitalization grants which are used to provide loans for construction of wastewater and drinking water facilities. The bonds are payable principally from repayments of such loans. The obligations do not constitute a debt of the State of Iowa and the State is not liable for any repayments.

The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investments, loans and other assets in the funds and accounts established by the respective bond resolutions.

The Single Family Mortgage Bond Resolutions, the Single Family Housing Bond Resolutions and the Multifamily Bond Indenture contain covenants which require the Finance Authority to make payments of principal and interest from amounts available in the Finance Authority's General Fund should deficiencies occur in the funds established for such payments by the respective bond resolutions. The Draw Down Bond Indenture under the Single Family Bond Program and the bond resolutions for the Clean Water Program Funds and Drinking Water Program Funds do not contain these covenants.

During the current fiscal year, the *Iowa Finance Authority* issued single family bonds totaling $80.0 million to purchase Mortgage-backed Securities under the FirstHome Program and $169.1 million to facilitate participation in the U.S. Treasury's New Issue Bond Program; and issued one municipalities and water system (SRF) bond series totaling $143.9 million to originate SRF loans. The Finance Authority also arranged financing of $61.5 million to preserve single family bond cap and $17.5 million to fund multifamily construction projects. The authority made bond payments of $243.5 million.

In prior years, the Finance Authority defeased certain bonds by depositing funds or securities into an irrevocable trust with an escrow agent to provide for future interest and principal payments. Accordingly, the trust account assets and liabilities for these defeased bonds are not included in the Finance Authority's financial statements. As of June 30, 2010, bonds totaling $3,180,000 are considered defeased.

Universities Foundations

Iowa State University Foundation in prior years issued $3,850,000 of bonds to purchase and remodel the Foundation Advancement Center building. The bonds are collateralized with a mortgage on the building and other real estate owned by the Foundation. In March, 2010, the bonds were refinanced under an amended agreement. The refinanced bonds have varying maturities through 2020 and have an interest rate of 4.75%. The Foundation has no taxing authority and bonds issued do not constitute a debt, liability or obligation of the State of Iowa or any political subdivision thereof.

Future bond debt service requirements for the bonds of the Component Units are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest
2011	$ 351,895	$ 58,699
2012	47,788	55,792
2013	51,540	53,618
2014	53,077	51,323
2015	50,545	49,046
2016-2020	259,755	213,568
2021-2025	308,605	153,194
2026-2030	287,615	90,664
2031-2035	266,865	42,428
2036-2040	154,585	6,406
Thereafter	1,620	42
Total	$ 1,833,890	$ 774,780

NOTE 12 – ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2010, consisted of the following (expressed in thousands):

	Current	Noncurrent
PRIMARY GOVERNMENT		
Governmental activities		
Salaries & fringes	$ 22,412	$ -
Early retirement / termination benefits	35,542	127,249
Other postemployment benefits	-	42,087
Pension	-	43,312
Risk management	13,179	4,821
Pollution remediation	7,389	39,470
State aid	605,002	-
Trade & other payables	672,594	29,529
Total governmental activities	$ 1,356,118	$ 286,468
Business-type activities		
Salaries & fringes	$ 130,753	$ -
Early retirement / termination benefits	6,756	27,430
Other postemployment benefits	-	48,126
General claims	35,055	-
Unemployment benefits	27,989	-
Trade & other payables	153,623	12,574
Total business-type activities	$ 354,176	$ 88,130
COMPONENT UNITS		
Annuity & life income obligations	$ -	$ 46,561
Pledges due to University	81	1,423
Other	99,487	54,581
Total component units	$ 99,568	$ 102,565

Pollution Remediation Obligations

An estimate for pollution remediation obligations is recorded when the State knows or reasonably believes a site is polluted and when any one of the following events occurs: (1) the State is compelled to take remediation action because pollution creates an imminent endangerment to public health/welfare or the environment, (2) the State is in violation of a pollution prevention-related permit or license, (3) the State is named, or will likely be named, by a regulator as a responsible party or potentially responsible party for remediation, (4) the State is named, or will likely be named, in a lawsuit to compel it to participate in remediation or (5) the State commences or legally obligates itself to commence cleanup activities or monitoring/maintenance of remediation efforts.

For the year ended June 30, 2010, pollution remediation obligations totaling $46,859,284 were recorded for the removal of leaking underground storage tanks.

Leaking underground storage tanks meeting certain eligibility requirements are covered by the Iowa Petroleum Underground Storage Tank program. Statutory authority for this program is found in Chapter 455G of the Code of Iowa. The program was established to expend funds for remedial action and underground storage tank improvements. Estimated remediation outlays for leaking underground storage tanks are developed by groundwater professionals. The estimations are based on a range of expected outlays, net of expected cost recoveries, if any, for the type and amount of pollution contamination detected. All estimates for pollution remediation obligations are reviewed and adjusted periodically for price changes, additional contamination and any other changes detected.

The pollution remediation obligation does not include outlays for certain site cleanup activities or operation/maintenance costs because those outlays were not reasonably estimable.

NOTE 13 – NET ASSETS/FUND BALANCE – RESERVED FOR SPECIFIC PURPOSES

A. Net Assets Restricted By Enabling Legislation

The government-wide Statement of Net Assets reports $1,201,278,641 of Restricted Net Assets of which $20,337,532 is restricted by enabling legislation.

B. Fund Balance – Reserved For Specific Purposes

The Reserved for Specific Purposes Fund Balance in the Governmental Funds represents the portion of fund balance legally segregated for a specific future use. A summary of these reserves at June 30, 2010, follows (expressed in thousands):

General Fund		
Revenue Bond Capital	$	486,571
Primary Road		174,014
Road Use Tax		102,459
Iowa Infrastructure		59,872
Iowa Jobs Restricted Capitals		54,217
Revitalize Iowa's Sound Economy		49,399
Vision Iowa		38,955
Health Insurance Premium Operating		36,164
Motor Vehicle Fuel Tax Unapportioned		32,716
Farm To Market Road		32,085
Safety Improvement Program		22,338
School Infrastructure and Reserve		19,880
UST Innocent Landowners		19,410
Terminal Liability Health Insurance		17,972
Fish and Game Fund		17,076
Resource Enhancement & Protection		13,355
County Bridge Construction		8,282
UST Remedial		7,062
Vertical Infrastructure		7,037
Dental Insurance Premium Operating		6,766
Unassigned Revenue		5,319
Other		43,347
Total General Fund		1,254,296
Tobacco Settlement Authority		135,183
Nonmajor Governmental Funds		
Guaranty Agency Operating		16,267
Honey Creek Authority		2,423
Federal Student Loan Reserve		27,224
Iowa Public Television Foundation		2,944
Iowa Cultural Trust		5,176
Iowa Veterans Trust Fund		10,743
Iowa Public Television Foundation Endowment		1,548
Permanent School Principal		7,974
Other		25,965
Total Nonmajor Governmental Funds		100,264
Total	$	1,489,743

NOTE 14 – OPERATING LEASES

The State has leased office space and equipment. These leases have been classified as operating leases and expire before June 30, 2041. In most cases, management expects the leases will be renewed or replaced by other leases.

A. Primary Government

Governmental Activities

The future minimum lease payments for these leases are as follows (expressed in thousands):

Year Ending June 30,	
2011	$ 12,664
2012	10,114
2013	8,414
2014	7,032
2015	4,574
2016-2020	4,792
2021-2025	605
2026-2030	504
2031-2035	328
2036-2040	357
Thereafter	71
Total	$ 49,455

All leases contain nonappropriation clauses indicating continuation of the lease is subject to funding by the legislature. Minimum payments have not been reduced by minimum sublease rentals of $745,562.

Rental expense for the year ended June 30, 2010 for all operating leases, except those with terms of a month or less that were not renewed, totaled $17,502,678. Rental expense has not been adjusted for sublease rentals totaling $440,302 for the year ended June 30, 2010.

Business-type Activities

The future minimum lease payments for these leases are as follows (expressed in thousands):

Year Ending June 30,	
2011	$ 7,728
2012	4,469
2013	2,955
2014	2,284
2015	1,356
Thereafter	1,122
Total	$ 19,914

Minimum payments have not been reduced by minimum sublease rentals of $170,910.

Rental expense for the year ended June 30, 2010 for all operating leases, except those with terms of a month or less that were not renewed, totaled $9,367,458. Rental expense has not been adjusted for sublease rentals totaling $62,132 for the year ended June 30, 2010.

B. Component Units

The future minimum lease payments for these leases are as follows (expressed in thousands):

Year Ending June 30,		
2011	$	28
2012		28
2013		38
2014		38
2015		21
Thereafter		30
Total	$	183

Rental expense for the year ended June 30, 2010 for all operating leases, except those with terms of a month or less that were not renewed, totaled $37,220.

NOTE 15 – LESSOR OPERATING LEASES

The Iowa Department of Natural Resources leases tracts of land for agricultural purposes valued at $10,532,499. Glenwood Resource Center leases building space valued at $3,027,947. Iowa Public Television leases antenna and building space, no value has been assigned to the leased portions. The Iowa Department of Transportation leases land valued at $1,735,694. Iowa State University leases building space valued at $925,253 (net of accumulated depreciation of $130,056), tower space valued at $107,832 (net of accumulated depreciation of $50,863), equipment with an original value of $1,204,560 and tracts of land for agricultural purposes, valued at $82,552. The University of Northern Iowa leases buildings valued at $1,096,928 (net of accumulated depreciation of $233,304), tower space, and tracts of land for agricultural purposes valued at $523,155. The Iowa Braille & Sight Saving School leases buildings valued at $1,505,320 (net of accumulated depreciation of $1,239,438). The following is a schedule by year of minimum future rentals on operating leases as of June 30, 2010 (expressed in thousands):

Year Ending June 30,		
2011	$	3,416
2012		1,943
2013		1,149
2014		827
2015		575
2016-2020		1,361
2021-2025		207
2026-2030		145
Thereafter		25
Total	$	9,648

NOTE 16 – PENSION PLANS

A. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements for the Iowa Public Employees' Retirement System (IPERS), Peace Officers' Retirement, Accident and Disability System (PORS) and the Iowa Judicial Retirement System (JRS) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits, refunds and annuities are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments

IPERS – All investments are reported at fair value. The determination of fair value is generally based on published market prices and quotations from major investment brokers. Investments not having quoted market prices have been valued based on yields and maturities currently available on comparable securities of similar issue. Fair values for real estate investments are based on periodic assessments or appraisals of the underlying investments. Futures contracts are valued daily with the resulting adjustment recorded as realized gains/losses arising from the daily settlement of the variation margin. Private equities are valued based on March 31 net asset values plus or minus purchases, sales and cash flows from April 1 through June 30 of the reporting year.

The System has no investment in any specific stock or bond issues of any commercial or industrial organization, other than the U.S. government and its instrumentalities, whose fair value exceeds 5% of the plan net assets available for benefits.

PORS and JRS – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value. For JRS, the fair value of real estate investments is based on independent appraisals.

PORS' and JRS' investments in governmental bonds and treasury notes constitute approximately 9.66% and 8.32%, respectively, of net assets held in trust for pension benefits. PORS and JRS are not permitted to invest more than 4.90% and 5.00%, respectively, of its System account in any one corporate issuer without written direction and approval of the Treasurer of State of Iowa.

B. Plan Descriptions, Contribution Information and Funding Policy

Membership of each plan consisted of the following at June 30, 2010:

	IPERS	PORS	JRS
Retirees and beneficiaries receiving benefits	93,692	547	176
Terminated members with deferred benefits	-	32	5
Active vested	128,448	538	144
Active nonvested	37,212	105	46
Inactive vested	31,846	-	-
Inactive nonvested	33,675	-	-
	324,873	1,222	371
Number of participating employers	2,229	1	1

Iowa Public Employees' Retirement System

Plan Description. IPERS, a public employee retirement system, was created in 1953 by the Iowa Legislature. IPERS benefits are established under Chapter 97B of the Iowa Code.

IPERS is a cost-sharing defined benefit multiple-employer public employee retirement system. Participation in IPERS is mandatory for most state, county and local public employees, employees of school districts and certain elected officials. Membership is optional for some individuals, including the members of the Iowa Legislature. Excluded from membership are members of other retirement systems supported by Iowa public funds.

	June 30, 2010
Employer members:	
City	1,154
County	412
School	391
State	25
Other	247
Total	2,229

A member may retire at age 65 (or anytime after reaching age 62 with 20 or more years of covered employment) and receive monthly benefits without an early retirement adjustment. A member is also entitled to benefits without an early retirement adjustment if the member's age plus years of service equals or exceeds 88. A member may take early retirement with reduced benefits. At retirement, a member chooses one of six benefit options.

A member who leaves covered employment after completing at least four years of covered service or has attained the age of 55 while making contributions to the plan has vested right to IPERS benefits.

IPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA 50306-9117, at info@ipers.org, or by calling 515-281-0020.

Contributions and Funding Policy. Member and employer contribution rates are established by statute for the regular membership. The contributions are remitted by participating employers. Certain members and employers engaged in law enforcement, fire safety and protection occupations contribute at actuarially determined rates as shown in the following table. Wages are covered up to the federal limit of $245,000 for calendar year 2010.

	Contribution Rates as of June 30, 2010		
	Employee	Employer	Total
Regular	4.30%	6.65%	10.95%
Special services group # 1 *	7.62%	7.62%	15.24%
Special services group # 2 **	6.14%	9.20%	15.34%

* - Includes sheriffs and deputies.

** - Includes all other protection occupation members.

A valuation of the liabilities and reserves of the IPERS Trust Fund is performed annually by IPERS' actuary in accordance with Iowa Code Section 97B.4(4)(d) in order to determine the amount of contributions required. The Iowa statutes provide that most IPERS members shall contribute 4.30% of pay and employers shall contribute 6.65% for a total rate of 10.95% for fiscal year 2010. The annual actuarial valuation is performed to determine whether the statutory rate will be sufficient to fund the future benefits expected to be paid by the System within the guidelines established in IPERS' funding policy (maximum amortization period of 30 years). The statutory rate is first applied to fund the normal cost. The remaining contribution rate is used to amortize the unfunded actuarial liability as a level percentage of payroll which in turn determines the amortization period. As a result, the remaining amortization period varies with each actuarial valuation. Based on the current year's actuarial valuation, the amortization period continued to exceed the 30 year maximum.

In 2006, to address IPERS' long-term funding needs, the Iowa Legislature passed and the Governor signed a bill increasing the contribution rate for regular members, the first rate increase since 1979. Regular members make up about 95% of IPERS' active membership. The increase of two percentage points is phased in over four years beginning July 1, 2007. The increase does not affect members in protection occupation positions who contribute at an actuarially required rate that may change every year.

In 2010, legislation was passed that increased the contribution rate for regular members to 13.45% on July 1, 2011. In addition, in 2010 the Iowa Legislature passed a law that will allow IPERS to set rates for regular members based on the actuarially required rate starting in FY2013 (July 1, 2012). However, the rate cannot vary by more than 1 percentage point each year.

The amount of the actuarially determined employer contribution requirement was $501,893,236. The total amount of employer contributions made during the fiscal year ended June 30, 2010, was $449,124,413 resulting in an 89.5% funding ratio. The difference between the actuarially required employer contributions and actual employer contributions made is due entirely to statutory contribution requirements that differ from the actuarially required contribution rate.

The following table provides a schedule of the actuarially required employer contributions and the percentage actually contributed to IPERS for the last three fiscal years:

Year Ended June 30,	Actuarially Required Contributions	Percentage Contributed
2008	432,828,217	87.2%
2009	473,054,363	87.8%
2010	501,893,236	89.5%

Peace Officers' Retirement, Accident and Disability System

Plan Description. PORS was created under Chapter 97A of the Code of Iowa to provide retirement and other benefits for the peace officers of the Iowa Department of Public Safety. The Peace Officers' Retirement, Accident and Disability System is the administrator of the single-employer defined benefit public employee retirement system.

A member may retire with a service allowance after completing 22 years of creditable service and attaining the minimum service retirement age of 55. Plan benefits include: service retirement benefits, ordinary disability retirement benefits, accidental disability benefits, ordinary death benefits, accidental death benefits and line of duty death benefits.

A member leaving covered employment before attaining retirement age but after completing at least four years of covered service is entitled to receive a service retirement allowance upon attaining the minimum service retirement age provided his or her accumulated contributions have not been withdrawn.

PORS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Iowa Department of Public Safety Peace Officers' Retirement System, Public Safety Building, Des Moines, IA 50319.

Contributions and Funding Policy. The contributions to the System are made pursuant to Chapter 97A of the Code of Iowa and are not based upon actuarial determinations.

Member contribution rates are established by statute at 9.35% of covered payroll. However, the System shall increase the member's contribution rate as necessary to cover any increase in cost to the System resulting from statutory changes which are enacted by any session of the General Assembly meeting after January 1, 1995, if the increase cannot be absorbed within the contribution rates established, but subject to a maximum employee contribution rate of 11.30%. After the employee contribution reaches 11.30%, 60% of the additional cost of such statutory changes shall be paid by the employer and 40% of the additional cost shall be paid by employees. This is deducted from the member's salary and remitted by the employer.

The employer is obligated by statute to contribute 21% of covered payroll. Contribution provisions are established by State law and may be amended only by the State legislature. The State has historically followed a contribution policy of appropriating funds based upon a percentage of the current salaries for which funds are appropriated.

The member contribution required and contributed was $3,778,295 representing 9.35% of the current year covered payroll. The State contribution required by statute was $8,498,523 and the amount actually contributed

was $8,498,523. Costs of administering the plan are financed through employer contributions and investment income.

Judicial Retirement System

Plan Description. The Judicial Retirement System (JRS) is the administrator of a single-employer defined benefit public employee retirement system.

The JRS was established to provide pension benefits to judges serving on the Supreme Court, District Courts and the Court of Appeals.

Pursuant to Chapter 602 of the Code of Iowa, a member who has a total of at least four years of service as a judge of one or more of the above courts and is at least 65 years of age or who has served 20 years of consecutive service as a judge of one or more of the above courts and has attained the age of 50 years shall qualify for an annuity. The annual annuity of a judge under this System is an amount equal to 3.25% of the judge's average annual basic salary for the judge's highest three years as a judge multiplied by the judge's years of service or, for a member who meets the definition of a senior judge under Chapter 602.9202 of the Code of Iowa, 3.25% of the basic senior judge salary multiplied by the judge's years of service, limited to a specified percentage of the highest basic annual salary or basic senior judge salary, as applicable, which the judge is receiving or had received as of the time the judge or senior judge became separated from service. The specified percentage is as follows: (1) 50% for judges who retired prior to July 1, 1998; (2) 52% for judges who retired and received an annuity on or after July 1, 1998 but before July 1, 2000; (3) 56% for judges who retired and received an annuity on or after July 1, 2000 but before July 1, 2001; (4) 60% for judges who retire and receive an annuity on or after July 1, 2001 but before July 1, 2006; and (5) 65% for judges who retire and received an annuity on or after July 1, 2006. Any member who has served as a judge for a total of four years or more and deemed permanently incapacitated, mentally or physically, to perform his/her duties shall be entitled to an annuity that would be the same as computed under a retirement annuity.

Beginning July 1, 2009, judges contribute to the system at the rate of 8.7% multiplied by the basic salary of the judge. Beginning July 1, 2008, and for each subsequent fiscal year until the system attains fully funded status, the State contributes an amount equal to 30.6% of the basic salary of all covered judges. Commencing with the first fiscal year in which the system attains fully funded status, and for each subsequent fiscal year, the State contribution shall be equal to 60% of the required contribution rate.

The JRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Judicial Retirement System, Iowa Judicial Branch, 1111 East Court Avenue, Des Moines, IA 50319.

Contributions and Funding Policy. The contributions to the System are made pursuant to Section 602.9104 of the Code of Iowa and are not based upon actuarial determinations.

The member contribution required and contributed was $2,222,015 representing 8.7% of the current year covered payroll. The State contribution required by statute and the amount contributed was $7,806,398. The State share is to be based on 30.6% of the statutory salaries at the time of the appropriation request. Costs of administering the plan are financed through State appropriation, member contributions and investment income.

C. Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation to PORS and JRS for the current year were as follows:

	PORS	JRS
Annual required contribution	$ 14,727,191	$ 8,257,696
Interest on net pension obligation	1,563,340	1,283,165
Adjustment to annual required contribution	(1,130,590)	(1,477,375)
Annual pension cost	15,159,941	8,063,486
Contributions made	8,498,523	7,806,398
Increase in net pension obligation	6,661,418	257,088
Net pension obligation beginning of year	19,541,754	16,851,785
Net pension obligation end of year	$ 26,203,172	$ 17,108,873

Three-year trend information:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Peace Officers' Retirement, Accident and Disability System			
2008	$ 13,564,549	49.37%	$ 13,996,726
2009	13,443,384	58.75%	19,541,754
2010	15,159,941	56.06%	26,203,172
Iowa Judicial Retirement System			
2008	$ 7,192,014	75.80%	$ 15,936,162
2009	8,635,894	89.40%	16,851,785
2010	8,063,486	96.81%	17,108,873

D. Funded Status and Funding Progress

The funded status of each plan as of June 30, 2010, is as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)*	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Iowa Public Employees' Retirement System	$ 21,537,458,560	$ 26,468,419,650	$ 4,930,961,090	81.37%	$ 6,571,182,005	75.04%
Peace Officers' Retirement, Accident and Disability System	290,558,596	433,402,131	142,843,535	67.04%	41,954,599	340.47%
Iowa Judicial Retirement System	99,415,804	156,029,125	56,613,321	63.72%	25,479,600	222.19%

* For purposes of this schedule, the AAL for each plan is determined using the entry age actuarial cost method.

The PORS uses the aggregate actuarial cost method to calculate their annual required contribution (ARC). However, the current year funded status information was calculated using the entry age actuarial cost method because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The entry age actuarial cost information for PORS is intended to serve as a surrogate for the funded status and funding progress of the plan.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Additional information as of the latest actuarial valuation follows:

	IPERS	PORS	JRS
Actuarial valuation date	June 30, 2010	July 1, 2010	July 1, 2010
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Method used to determine actuarial value of assets	Smoothing method - expected value at the valuation date plus 25% of the difference between the market value and expected value. The actuarial value must fall within a corridor of 80% - 120% of market value.	Smoothing method - spreads the difference between the actual return and expected return over four years.	Smoothing method - expected value plus 25% of the difference between the actual and expected value.
Amortization method	Open period, level percent of pay	Closed period, level percent of pay	Level dollar, closed basis
Amortization period	30 years* (open method)	30 years (closed)	25 years (closed)
Rate of investment return	7.50%	8.00%	7.50%
Projected salary increases	4.00% - 12.00% depending upon years of service	6.75% for the first five years, 6.50% for year six, 6.00% for year seven, 5.25% for years eight through 24 and 4.75% thereafter	4.50%
Inflation rate	3.25% for prices, 4.00% for wages	4.00% payroll growth	3.25%

* GASB Statement No. 25 states that, beginning in fiscal year 2006, the maximum acceptable amortization period for the total unfunded actuarial liability is 30 years. IPERS' funding policy also provides for a maximum amortization period of 30 years.

F. Teachers Insurance and Annuity Association Retirement Program

The Universities, Board of Regents, the Iowa Braille and Sight Saving School and the Iowa School for the Deaf contribute to the Teachers Insurance and Annuity Association (TIAA) retirement program. These institutions, by contributing to TIAA, participate in a defined contribution retirement plan.

A defined contribution retirement plan provides retirement benefits in return for services rendered, provides individual annuities for each plan participant and specifies how contributions to an individual's annuity are to be determined instead of specifying the amount of benefits the participant is to receive. Under a defined contribution retirement plan, the benefits a participant will receive depend solely on the amount contributed to the participant's annuity and the returns earned on investments of those contributions. As required by the Iowa State Board of Regent's policy, all eligible employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract agreement with TIAA, each employee through the fifth year of employment contributes 3.33% of the first $4,800 of earnings and 5.00% on the balance of earnings. The employer through the fifth year of employment contributes 6.67% of the first $4,800 of earnings and 10.00% on earnings above $4,800. Upon completion of five years of service, the participant contributes 5.00% and the employer 10.00% on all earnings.

The Board of Regents approved a temporary reduction of the university required contributions from November 2009 through June 2010 for the University of Northern Iowa and Iowa State University. They also approved a reduction in university contributions for the University of Iowa from November 2009 through June 2011. During fiscal year 2010, the employers' contributions amounted to $119,572,546. Employees' contributions amounted to $68,805,651.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS

A. State Plan

Plan Description

The State of Iowa provides access to postretirement medical benefits to all retirees as required by Chapter 509A.13 of the Code of Iowa. Although the retirees generally must pay 100% of the premium rate, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), requires that employers recognize the Implicit Rate Subsidy that exists in postretirement medical plans provided by governmental employers.

The Implicit Rate Subsidy refers to the concept that retirees under the age of 65 (i.e. not eligible for Medicare) generate higher claims on average than active participants. When a medical plan is self insured or fully insured through a third-party administrator, a premium is usually determined by analyzing the claims of the entire population in that plan and adjusting for administrative costs. The resulting premium is called a blended premium because it blends the claims of active and retired participants. Since individuals generally have more and higher claims as they get older, the blended premium paid for retirees is lower than their expected claims. Another way of considering this is that if the retirees were removed from the plan, the premium for the active group would be lower; therefore, the retirees' premiums are being subsidized by the active group. Since the employer generally pays a large portion or all of the premiums for the active group, this subsidy creates a liability for the employer. The difference between the expected claims for the retiree group and the blended premium is called the Implicit Rate Subsidy.

The State operates a single-employer retiree benefit plan which provides medical insurance benefits for retirees. There are 28,510 active and 1,866 retired participants in the plan. The State currently offers five self-insured plans which are available to participants through Wellmark Blue Cross Blue Shield: Program 3 Plus, Deductible 3 Plus, Iowa Select, Blue Access and Blue Advantage.

Funding Policy

The contribution requirements of the plan participants are established and may be amended by the State legislature. The State currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution (ARC) of the State, an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the State's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and changes in the State's net OPEB obligation:

Annual required contribution	$	30,613,000
Interest on net OPEB obligation		1,661,000
Adjustment to annual required contribution		(2,265,000)
Annual OPEB cost		30,009,000
Contributions made		(11,212,000)
Increase in net OPEB obligation		18,797,000
Net OPEB obligation beginning of year		36,901,000
Net OPEB obligation end of year	$	55,698,000

The State's plan includes AFSCME employees of the universities. The portion of the fiscal year 2010 net OPEB obligation related to those employees is $12.1 million.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2010.

For fiscal year 2010, the State contributed $11,212,000 to the medical plan. The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2010 and the two preceding fiscal years are summarized as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2008	$ 23,480,000	30.95%	$ 16,213,000
2009	29,369,000	29.56%	36,901,000
2010	30,009,000	37.36%	55,698,000

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was $293.5 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $293.5 million. The covered payroll (annual payroll of active employees covered by the plan) was $1,561.8 million and the ratio of the UAAL to the covered payroll was 18.79%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009, actuarial valuation date, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.50% discount rate based on the estimated long-term investment yield on the general assets of the State. The projected annual medical trend rate is 7.6% for managed care and 8.1% for non managed care plans. The medical trend rate is based on a general GDP growth assumption of 5.0% and capping the medical component of GDP at approximately 20.0% of GDP.

Mortality rates are from the RP-2000 Healthy Combined Mortality Table for Males and Females set forward one year for males and set back two years for females. General improvements are assumed using projection scale AA. The majority of State of Iowa employees are participants in the Iowa Public Employees' Retirement System. For this reason, the withdrawal, retirement and age of spouse assumptions are based on the assumptions used for the Iowa Public Employees' Retirement System Actuarial Valuation Report as of June 30, 2008. The plan participation assumption is based upon the recent experience of the State of Iowa Postretirement Medical Plan.

The UAAL is being amortized on a level dollar open basis over 30 years.

B. University Funds

Plan Description

The University of Iowa, Iowa State University and the University of Northern Iowa (the Universities) operate single employer benefit plans which provide medical, dental and life insurance benefits for retirees and their spouses. Detailed plan description information is available in the Universities' separately issued financial reports.

Funding Policy

The contribution requirements of the plan participants are established and may be amended by the Universities. The Universities currently finance the retiree benefit plans on a pay-as-you-go basis. For fiscal year 2010, the universities contributed $12.7 million to the plan and members receiving benefits contributed $11.0 million of the premium cost.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the Universities' annual OPEB cost for June 30, 2010, the amount actually contributed to the plans and changes in the Universities' net OPEB obligation:

Annual required contribution	$	26,231,000
Interest on net OPEB obligation		1,190,000
Adjustment to annual required contribution		(1,219,000)
Annual OPEB cost		26,202,000
Contributions made		(12,710,000)
Increase in net OPEB obligation		13,492,000
Net OPEB obligation beginning of year		21,874,000
Net OPEB obligation end of year	$	35,366,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuaries as the cumulative difference between the actuarially determined funding requirements and the plans' actual contributions for the year ended June 30, 2010.

The Universities' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2010 and the preceding two fiscal years are summarized as follows:

Year Ended June 30,		Annual OPEB Cost (AOC)	Percentage of AOC Contributed		Net OPEB Obligation
2008	$	19,511,000	47.90%	$	10,165,000
2009		20,462,000	42.78%		21,874,000
2010		26,202,000	48.51%		35,366,000

Funded Status and Funding Progress

As of the most recent actuarial valuation for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was $244.7 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $244.7 million. The covered payroll (annual payroll of active employees covered by the plan) was $1,247.6 million and the ratio of the UAAL to the covered payroll was 19.61%. As of June 30, 2010, there were no trust fund assets.

Information from the Universities' latest actuarial valuations follows:

	University of Iowa	Iowa State University	University of Northern Iowa
Actuarial valuation date	July 1, 2010	July 1, 2010	July 1, 2010
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percentage of projected payroll	Level dollar	Level percentage of projected payroll
Amortization period	Open basis over 30 years	Open basis over 30 years	Open basis over 30 years
Rate of investment return	6.95%	4.00%	4.50%
Medical trend rate	8.00%	8.50%	11.00%
Ultimate medical trend rate	Reduced 0.50% each year until reaching 5.00%	Reduced 0.50% each year after 3 years until reaching 5.00%	Reduced 0.50% each year until reaching 5.00%
Payroll growth rate	3.50%	n/a	3.50%

NOTE 18 – OTHER TERMINATION BENEFITS

A. State Employee Retirement Incentive Program

On February 10, 2010, the Governor signed into law a state employee retirement incentive program (SERIP) for eligible executive branch employees. Eligible employees include employees of the executive branch, employees of a judicial district of the department of correctional services, employees of the fair board, and employees of the state board of regents if the board elects to participate in the program, and employees of the department of justice. To be eligible an employee must have been employed on February 10, 2010, be age 55 or older on July 31, 2010 and have submitted an application by the employee's last day of employment to the Iowa Public Employees' Retirement System to begin monthly retirement benefits by July 2010. In addition, employees must have filed a SERIP application on or before April 15, 2010 and terminated employment no later than June 24, 2010. The law also provided for the legislative and judicial branches of government to provide a retirement program consistent with the program for the executive branch employees. The Board of Regents and the Judicial Branch did not participate in the program.

Participants in the SERIP will receive the following incentives:

1) Unused sick leave – A cash payment of the monetary value of the participant's accrued sick leave balance, not to exceed $2,000. The payment is calculated by multiplying the number of hours of accrued sick leave by the participant's regular hourly rate of pay at the time of retirement. This payment was made in fiscal year 2010 on the participant's last pay check.

2) Health insurance – A minimum of 5 years of state contributions toward the premiums of a state-sponsored health insurance plan either through the Sick Leave Insurance Program (SLIP), SERIP or a combination of both programs.

3) Years of service incentive – Cash payments including the entire value of the participant's accrued but unused vacation leave and, for participants with at least 10 years of state employment, $1,000 for each year of state employment, up to 25 years of employment. The total years of service incentive shall be paid in five equal installments beginning in September 2010 and ending in 2014.

In the event a SERIP participant dies within 5 years of termination of employment, the participant's beneficiary will receive any remaining years of service incentive payments. If the participant's surviving spouse is covered on the participant's state retiree health insurance plan, the surviving spouse may elect to continue health insurance coverage and will receive any remaining health insurance contribution plans under SERIP. If the surviving spouse was not covered by the participant's insurance plan, or if there is no surviving spouse, any remaining health insurance contribution benefits are forfeited.

Participants in SERIP are not eligible to accept any further employment with the state, other than as an elected official or a member of a board or commission, from the date of termination of employment. Participants may not enter into contracts to provide services to the state as independent contractors or consultants.

SERIP is financed on a pay-as-you-go basis by the department from which the employee retired. Amounts due for the program have been recorded as liabilities in the government-wide financial statements. The liability for the expected future health insurance benefits at June 30, 2010 is $87,856,000. This was calculated by increasing the insurance premiums in effect at June 30, 2010 for the annual medical trend rates for fiscal years 2011 thru 2020. The annual medical trend rates range from 7.04% in 2011 to 5.00% in 2020. The liability for the years of service incentive installment payments at June 30, 2010 is $64,219,750.

For the year ended June 30, 2010, SERIP costs for 2,067 participants totaled $5,073,215.

B. Board of Regents Retirement Incentive Options

At its March 2009 meeting, the Board of Regents approved the first of three Retirement Incentive Option (RIO) programs, RIO1. The second and third programs, RIO2 and RIO3 were subsequently approved at its October, 2009 and April, 2010 meetings, respectively. Faculty, professional and scientific employees, merit system employees, and institutional officials who accumulate ten years of service with the Universities and who attain the age of 60 (RIO1), 57 (RIO2), and 55 (RIO3) by the date of retirement are eligible for participation. These programs are one-time programs with retirement required to occur no later than January 31, 2010, July 30, 2010, and December 31, 2010, respectively.

Upon retirement, the participant will be provided health and dental coverage for a period of up to five years with the Universities providing both the employee and employer share of contributions not to exceed the employee and

spouse/domestic partner rate for the Universities' professional plans and not to exceed the employee and family rate for the State of Iowa plans. Eligible employees who elect the incentive and reach Medicare eligibility during the incentive period will be allowed to continue in the incentive with the contributions reduced to integrate with Medicare eligibility. For RIO3, the participant may choose to receive continued annuity (Defined Contribution plan only) contributions for a period of up to five years in lieu of the continued medical/dental coverage. The annuity benefit is equal to the Universities' contribution level during active employment of 10% and based on the participant's full budgeted salary at the time of retirement. Term life insurance benefits are fully insured for eligible retirees and are paid for directly by the life insurance carrier. The Universities pay a stated premium based on the value of the policy (which is $4,000) directly to the carrier. The stated premium rate is the same as the premium rate for the active employer life coverage in effect during the fiscal year.

The Board of Regents Institutions' contributions for the fiscal year ended June 30, 2010, amounted to $3,378,270 for 858 participants.

C. State Police Officers Council

The State Police Officers Council (SPOC) Collective Bargaining Agreement provides upon retirement, including disability retirement, credit for all unused sick leave.

Accumulated unused sick leave in both the active and banked sick leave accounts shall be converted at current value and credited to the employee's account for the purpose of paying the cost of the monthly premiums of a health insurance and/or life insurance policy.

Upon written authority from or upon the death of a retired employee, or upon the death of an active employee, the spouse or the surviving spouse shall be entitled to the value of the sick leave bank in both the active and banked sick leave accounts as converted in the previous paragraph for the purpose of paying the cost of monthly premiums of the health insurance and/or life insurance policy for the employee's spouse or dependents.

If the carrier of either the health or life insurance policy is not a current contracted carrier with the State of Iowa, or the council or any of its sub organizations, the employee or spouse shall be eligible for reimbursement of a premium payment to that carrier upon submission of proof of payment. If there is dissolution of marriage or divorce, it is the employee's responsibility to withdraw their authority.

The benefits are funded on a pay-as-you-go basis for Department of Public Safety retirees and fully funded for Department of Natural Resources retirees.

For the year ended June 30, 2010, 230 SPOC retirees received benefits totaling $1,195,461.

D. Other Voluntary Termination Benefit Programs

Voluntary termination benefit programs have been established through collective bargaining for Executive Branch AFSCME and IUP employees, Judicial Branch AFSCME and PPME employees and Community Based Corrections employees. The programs are also offered to Executive Branch non-contract employees, Judicial Branch non-contract employees, Legislative employees and Community Based Corrections non-contract employees, except for judicial officers. The programs allow employees who are eligible upon a bona fide retirement to use the value of their unused sick leave to pay the employer share of the monthly premium of the State's group health insurance plan after their retirement.

Upon retirement, employees shall first receive cash payment for accumulated, unused sick leave converted at the employee's current regular hourly rate of pay, up to $2,000, payable with the final payroll warrant that includes the employee's retirement date. The value of the remaining balance of the accrued sick leave will be converted based upon the original balance (before the cash payment). The remainder of the sick leave value is calculated as follows, based on the number of sick hours the employee had before the cash payment:

If the sick leave balance is:	**The conversion rate is:**
Zero to 750 hours	60% of the value
Over 750 hours to 1,500 hours	80% of the value
Over 1,500 hours	100% of the value

The final calculated dollar value will be credited to the employee's Sick Leave Insurance Program (SLIP). Each month, the retiree's former employing department will pay 100% of the employer share of the selected state group health insurance premium from the retiree's SLIP account. The retiree is responsible for any additional premiums associated with the employee/retiree share.

The employer will continue to pay the employer's share of the health insurance premium each month until the converted value of the employee's sick leave balance is exhausted, until the employee is eligible for Medicare, the employee waives the benefit or until the employee dies, whichever comes first. The retired employees may stay with the same health insurance program as when employed or switch down at any time without underwriting. The converted value of the sick leave can only be applied to the employer's share of health insurance premium payments. It has no cash value and it is not transferable to another use or to an heir.

If a retired employee who has utilized this benefit returns to permanent state employment, all remaining balances in the sick leave insurance program will be forfeited.

All program benefits are financed on a pay-as-you-go basis by the department from which the employee retired. Amounts due for this program have been recorded as a liability in the government-wide financial statements.

For the year ended June 30, 2010, 963 employees from the Executive and Legislative Branches of Government have retired and received benefits totaling $6,026,120 under SLIP. In addition, 168 employees from the Judicial Branch and Community Based Corrections have retired and received benefits totaling $1,082,705 under the SLIP program.

NOTE 19 – RISK MANAGEMENT

A. Insurance/Transfer of Risk

State employee benefits for health, dental, long-term disability and life insurance coverage are fully insured through commercial insurers. The State also insures with outside parties for certain liabilities. The State assumes liability for any deductibles and claims in excess of coverage limitations. Iowa State University and the University of Iowa assume responsibility for aircraft liability in excess of $10.0 million and $2.0 million, respectively.

The University of Northern Iowa carries a blanket policy where it assumes liability in excess of $550.0 million for the Residence System Buildings, Maucker Union, General Fund Buildings, Early Childhood Center, McLeod Center, UNI-Dome and in excess of $100.0 million for boiler and machinery. Individual limits for buildings and contents are in excess of: $246.8 million for Residence Halls, $62.1 million for Residence Apartments, $30.9 million for Maucker Union, $759.2 million for General Fund Buildings, $34.1 million for the McLeod Center, $58.6 million for UNI-Dome and $3.2 million for Early Childhood Center. Individual limits for loss of business income are in excess of $25.1 million for Residence Halls, $3.4 million for Residence Apartments, $2.3 million for the McLeod Center and $2.5 million for UNI-Dome. The University assumes liability in excess of $3.3 million for broadcasting towers and equipment.

The University of Iowa assumes liability for damage to buildings and contents for the first $2.0 million and in excess of $1.0 billion, pharmacy products liability for the first $10,000 and in excess of $7.0 million, student interns professional liability in excess of $3.0 million, dental student professional liability in excess of $3.0 million, nursing students professional liability in excess of $5.0 million, pharmacy students professional liability in excess of $3.0 million, losses at the Museum of Art in excess of $400.0 million, criminal fidelity liability for the first $250,000 and in excess of $10.0 million.

The University of Iowa also assumes liability for athletic trainers professional liability in excess of $3.0 million, liability for gymnastics camps, youth camps, outreach clinics and special events in excess of $2.0 million each. It also assumes liability for property damage to the Hawkeye Express in excess of $1.2 million, liability in excess of $2.0 million and liability for the Hawkeye Express Railroad in excess of $25.0 million.

Iowa State University assumes liability for damage to buildings and contents in excess of $2.1 billion for general fund properties, $315.4 million for residence systems – dormitories, $303.6 million for power plant property, $117.9 million for residence system – other housing, $100.0 million for boiler/machinery/power plant, $95.6 million for Memorial Union, $77.5 million for Hilton Coliseum, $44.6 million for CY Stephens Auditorium, $43.0 million for Scheman Continuing Education Building, $41.5 million for Jacobson and miscellaneous properties, and $35.5 million for Jack Trice Stadium. Iowa State University also assumes liability for damage to additional buildings and properties ranging from the first $250 and in excess of $28.1 million. Iowa State University assumes liability for business interruption in excess of ranges from $100,000 to $16.9 million.

Glenwood Resource Center assumes liability for volunteers' accident and personal liability in excess of $1.0 million per occurrence and $3.0 million annually. The Iowa Braille and Sight Saving School assumes liability for the first $1.0 million and in excess of $43.6 million for catastrophic losses.

The First, Second, Third, Fourth, Fifth, Sixth, Seventh and Eighth Judicial Districts assume liability for physical damage to buildings and contents in excess of $19.9 million, $11.2 million, $4.6 million, $3.5 million, $16.5 million, $14.5 million, $3.3 million and $2.5 million, respectively. The First and Second Judicial Districts carry blanket policies where they assume liability in excess of $6.0 million and $500,000, respectively for boilers. The Seventh Judicial District assumes liability in excess of $9.9 million for builder's risk.

The Iowa Lottery Authority assumes liability for damage to buildings and contents in excess of $10.4 million.

The Iowa Veterans Home assumes liability in excess of $33.7 million for builder's risk including boiler and machinery.

Iowa Workforce Development assumes liability for damages in excess of $11.1 million for buildings and contents and in excess of $4.5 million for computer equipment.

The State maintains an employee fidelity bond where the first $100,000 in losses and any losses exceeding $2.0 million becomes the responsibility of the State. Iowa State University maintains an additional policy and assumes liability in excess of $4.0 million.

There were no settlements in excess of coverage for the past three fiscal years, except for the University of Iowa which incurred extensive flood damage in 2008. For those risks that the university had purchased commercial insurance, only property insurance had claims in excess of commercial coverage due to the flood. The amount in excess of coverage is undeterminable at this time.

B. Self-Insurance/Retention of Risk

It is the policy of the State not to purchase commercial insurance, except as detailed above, for the risks of losses to which it is exposed. Instead, State management believes that it is more economical to manage its risks internally and set aside assets for claim settlement in its internal service funds or to pay claims from the General Fund.

Specific claim adjustment expenditures/expenses and estimated recoveries on unsettled claims are included in the determination of claims liability. Other allocated or unallocated claims adjustment expenditures/expenses are not included.

The State is self-insured for various risks of loss related to work injuries of its employees. The Workers' Compensation Fund, an internal service fund, services workers' compensation claims. The liability for unpaid claims is estimated based on the average cost per claim-type determined from an actuarial review. Changes in the balances for estimated claims liabilities in fiscal years 2009 and 2010 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 09	$ 50,447	20,581	21,989	$ 49,039
FY 10	49,039	19,872	21,282	47,629

The State is self-insured for various risks of loss related to its motor vehicle fleet. The Vehicle Dispatcher Self-Insurance Fund, an internal service fund, services liability and property damage claims. The liability for unpaid claims is estimated based on historical experience and the application of an industry standard of 40% for IBNR claims. Changes in the balances for estimated claims liabilities for fiscal years 2009 and 2010 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 09	$ 77	540	186	$ 431
FY 10	431	(8)	407	16

The State is self-insured for various risks of loss related to the operation of the Board of Regents Institutions' motor vehicle fleets. The Regent's Motor Vehicle Liability Self-Insurance Fund, an internal service fund, services liability and property damage claims. The liability for unpaid claims is estimated based on statistical techniques that reflect recent settlements, similar claim history and other economic and social factors. Changes in the balances for estimated claims liabilities in fiscal years 2009 and 2010 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 09	$ 687	382	392	$ 677
FY 10	677	894	385	1,186

The State is self-insured for risks of loss related to property damage and torts. All claims must be filed with the State Appeal Board which has the authority to approve or reject claims. Claims allowed in an amount greater than $5,000 require the unanimous approval of all members of the Board, the Attorney General and the District Court of the State of Iowa for Polk County. The liability for unpaid claims is estimated based on historical experience and analysis. Changes in the balances for estimated claims liabilities in fiscal years 2009 and 2010 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 09	$ 19,500	4,131	5,631	$ 18,000
FY 10	18,000	8,714	8,714	18,000

The Universities retain risk liability for medical faculty malpractice; medical, dental, unemployment and workers' compensation coverage for some employees; and various property damage not covered as described above. The estimates of claim liabilities for faculty medical malpractice and employee medical, dental, unemployment and workers' compensation are based on actuarial analysis. The estimates of the claim liability for various property damage are based on historical analysis. Changes in the balances for estimated claims liabilities in fiscal years 2009 and 2010 were (expressed in thousands):

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
FY 09	$ 29,718	164,770	162,548	$ 31,940
FY 10	31,940	187,352	184,237	35,055

NOTE 20 – LITIGATION, CONTINGENCIES AND COMMITMENTS

The *Iowa Department of Revenue* has pending litigation regarding income tax cases. The cases could possibly result in refunds estimated at $1.5 million.

The *Iowa Public Employees' Retirement System* (IPERS) had commitments to fund an additional $1.449 billion to various private equity/debt partnerships and real estate investment managers at June 30, 2010.

The *Iowa Department of Transportation* has contractual obligations for construction and other contracts of $417.6 million at June 30, 2010.

The *University of Iowa* has outstanding construction contract commitments of $128.9 million at June 30, 2010.

Iowa State University has outstanding construction contract commitments of $36.4 million at June 30, 2010.

The *University of Northern Iowa* has outstanding construction contract commitments of $6.0 million at June 30, 2010.

The *Iowa Department of Natural Resources* has outstanding construction contract commitments of $4.3 million at June 30, 2010.

The *Iowa Department of Administrative Services* has outstanding construction contract commitments of $35.4 million at June 30, 2010.

The *Iowa Finance Authority* has committed to purchase $48.3 million in mortgage-backed securities; approved loan agreements under various housing assistance programs for $36.5 million and signed loan agreements with municipalities and water systems totaling $276.8 million at June 30, 2010.

The *Iowa Department of Economic Development* has commitments of $671.6 million at June 30, 2010.

The *Office of Energy Independence* has commitments of $37.7 million at June 30, 2010.

The *Iowa College Student Aid Commission* has commitments of $2.8 million at June 30, 2010.

The *Iowa State Fair* has outstanding construction contract commitments of $5.5 million at October 31, 2009.

NOTE 21 – BOND ANTICIPATION NOTES

The State of Iowa plans to build a new Iowa State Penitentiary. In order to fund the design costs in fiscal years 2009 and 2010, the State issued $6,760,000 of Iowa Prison Infrastructure Fund Revenue Bond Anticipation Notes, Series 2009 (BANS). The BANS were issued in advance of issuing Special Obligation Bonds.

The BANS were issued April, 2009 with an interest rate of 2.75% and are due by June, 2011. The proceeds were deposited into a capital projects fund. The BANS are payable from the obligation of the State to issue permanent bonds prior to the maturity of the BANS in the amount sufficient to provide proceeds to pay the principal of the BANS. The BANS are treated as a current liability.

The following is a schedule of BANS activity for the year ended June 30, 2010 (expressed in thousands):

Beginning Balance	Issued	Redeemed	Ending Balance
$ 6,760	$ -	$ -	$ 6,760

NOTE 22 – BEGINNING BALANCE ADJUSTMENTS

Primary Government

During fiscal year 2010, the State of Iowa implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Statement of Activities – Governmental Activities beginning net assets increased $1.5 million (depreciable capital assets increased $5.8 million and accumulated depreciation increased $4.3 million) with this restatement.

For fiscal year 2010, the State reclassified $0.4 million of investments related to the *Iowa Braille and Sight Saving School* from Special Revenue Fund to Private Purpose Trust Fund. Special Revenue Fund beginning balance decreased to $127.5 million from the $127.9 million reported at June 30, 2009. Private Purpose Trust Fund beginning net assets increased to $1,856.9 million from $1,856.5 million reported at June 30, 2009. This restatement flowed into the Statement of Activities – Governmental Activities net assets with a decrease to the beginning net assets balance.

The above adjustments net to a $1.1 million increase in beginning net assets in the Statement of Activities – Governmental Activities. The beginning net assets are restated at $7,616.1 million, from the $7,615.0 million reported at June 30, 2009.

Component Units

The *Iowa Finance Authority*, a discrete component unit of the State, restated beginning net assets for fiscal year 2010, after adopting GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This resulted in a restatement for the State's Statement of Activities – Component Units. The beginning net assets for the Iowa Finance Authority decreased $1.5 million to $821.6 million from the $823.1 million reported at June 30, 2009

NOTE 23 – DEFICIT FUND BALANCE

The Tobacco Collections Fund, a major Special Revenue Fund, had a deficit fund balance of $563.2 million at June 30, 2010. Due to the implementation of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, in fiscal year 2008, an interfund advance was recorded in the Tobacco Collections Fund, causing a deficit fund balance. As future tobacco collections are received in the Tobacco Collections Fund and remitted to the Tobacco Settlement Authority for repayment of debt, the interfund advance will be reduced and the deficit eliminated.

The FY2009 Prison Bonding Fund, a nonmajor Capital Projects Fund, had a deficit fund balance of $9.3 million at June 30, 2010. In order to fund design costs in fiscal years 2009 and 2010 for a new Iowa State Penitentiary, the State issued $6,760,000 of Iowa Prison Infrastructure Fund Revenue Bond Anticipation Notes, Series 2009 (BANS). The BANS were issued in advance of issuing Special Obligation Bonds. The Special Obligation Bonds were issued in early FY2011 and will be used to redeem the BANS as well as finance the construction costs of the new penitentiary.

NOTE 24 – EXTRAORDINARY ITEM

The University of Iowa sustained significant damage to property and impairment to capital assets as a result of the June 2008 flooding of the Iowa River. The magnitude of the flood surpassed the 100-year flood plain and penetrated the 500-year flood plain. The activity related to this event is reported as an extraordinary item as it is both unusual in nature and infrequent in occurrence.

The following details the components of the extraordinary item at June 30, 2010 (expressed in thousands):

Capital asset impairment loss, net of insurance recovery (see NOTE 6)	$	(11,782)
Flood related expenses incurred		(4,003)
Net extraordinary item	$	(15,785)

NOTE 25 – SUBSEQUENT EVENTS

The *University of Iowa* issued Athletic Facilities Revenue Bonds, Series 2010 in the amount of $19,775,000 in October, 2010 for the purpose of financing a portion of the costs of improving, remodeling, repairing, furnishing, equipping, and building additions to Carver Hawkeye Arena located on the campus of the University, to fund the Reserve Fund and to pay the costs of issuing the bonds.

The *University of Iowa* issued Hospital Revenue Bonds, Series 2010 in the amount of $30,000,000 in October, 2010 for the purpose of constructing, improving, remodeling, repairing, furnishing, equipping inpatient and

outpatient care facilities, including construction of a new medical office building and related space, to fund the Reserve Fund and to pay the costs of issuing the bonds.

On August 11, much of the city of Ames, Iowa including *Iowa State University*, suffered significant damage from the flooding of the Skunk River and Squaw Creek. Seventeen buildings were impacted by flood waters and numerous other campus buildings and sites sustained storm water damages. The overall cost for clean up, repair, and mitigation have been estimated from $40 to $50 million.

Iowa State University is working with the Iowa Homeland Security and Emergency Management Division, Federal Emergency Management Agency (FEMA) and several insurance companies to identify all of the damages and determine restoration plans. It is unknown at this time, what actual assistance will be forthcoming from these sources. The University anticipates that FEMA will reimburse 75% of the costs not covered by insurance.

Iowa State University issued Academic Building Revenue Bonds, Series I.S.U. 2010 in the amount of $28,225,000 in August 2010. The bonds will bear interest at varying rates between 3.0% and 4.125% and will mature in varying amounts from July 1, 2016 through July 1, 2035. The proceeds of the bonds will be used to pay a portion of the costs of constructing, improving, remodeling, repairing, and equipping the Chemistry Building (Hach Hall) facilities and certain veterinary medical facilities on the campus of the university, fund a capitalized interest fund, fund the Reserve Fund and to pay the costs of issuing the bonds. The bonds will be payable solely from the gross student fees and charges collected by the University and institutional income received by the University.

The federal HOME program transferred from the *Iowa Department of Economic Development* (IDED) to the *Iowa Finance Authority* as of July 1, 2010. As of June 30, 2010, IDED reported contractual commitments of $13,420,219 and net loan receivables of $9,839,216 related to the HOME program.

The *State of Iowa* issued $151,310,000 of IJOBS Program Special Obligation Bonds, Series 2010A and $25,585,000 of IJOBS Program Special Obligation Bonds, Taxable Series 2010B in October, 2010. The bonds will bear interest rates varying from 0.92% to 5.00% and will mature in varying amounts from June 1, 2012 through June 1, 2030. The proceeds of the bonds will be used to finance certain infrastructure projects of the State, certain grant and loan programs of the State, capitalized interest on a portion of the bonds through June 1, 2011, a Bond Reserve Fund and certain costs of issuance.

The *State of Iowa* issued $135,050,000 of Special Obligation Bonds, (Prison Infrastructure Fund) Series 2010 in July, 2010. The bonds will bear interest rates varying from 2.00% to 5.00% and will mature in varying amounts from June 1, 2012 through June 1, 2030. The proceeds of the bonds will be used to finance the costs of construction of a new Iowa State Penitentiary at Fort Madison, redeem outstanding Iowa Prison Infrastructure Fund Revenue Bond Anticipation Notes, Series 2009, fund a Debt Reserve Fund, deposit a portion of the interest payable on the Series 2010 Bonds on December 15, 2010, and certain costs of issuance.

The *University of Northern Iowa* called a portion of outstanding Dormitory Revenue Bonds, Series U.N.I. 1999 in July, 2010, to take advantage of lower interest rates. The called bonds were for outstanding principal of the July 1, 2011 through July 1, 2020 maturities of the University's Dormitory Revenue Bonds, Series U.N.I. 1999, dated May 1, 1999.

The *University of Northern Iowa* issued $16,790,000 of Dormitory Revenue Bonds, Series U.N.I. 2010A in December 2010. Proceeds of the sale of the bonds will be used to fund a portion of the costs of constructing and equipping a new apartment facility, funding a deposit to the Reserve Fund, and paying the costs of issuance of the bonds.

The *University of Northern Iowa* issued $9,755,000 of Dormitory Revenue Refunding Bonds, Series U.N.I. 2010B in December 2010. Proceeds of the sale of bonds will be used to refund, as an advance refunding, the outstanding principal of the July 1, 2012 through July 1, 2021 maturities of the University's Dormitory Revenue Bonds, Series U.N.I. 2000, dated June 1, 2001, funding a portion of a deposit to the Reserve Fund, and paying the costs of issuance. The refunding bonds were sold to take advantage of lower interest rates.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IOWA

Required Supplementary Information
Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2010
(Expressed in Thousands)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE				
Special taxes:				
Personal income tax	$ 3,316,300	$ 3,128,200	$ 3,253,099	$ 124,899
Sales/use tax	2,402,800	2,238,100	2,291,584	53,484
Corporation income tax	389,200	359,800	392,309	32,509
Inheritance tax	78,400	65,300	68,358	3,058
Insurance premium tax	108,600	84,000	88,571	4,571
Cigarette tax	201,900	201,900	206,067	4,167
Tobacco tax	22,900	24,600	26,506	1,906
Beer & liquor tax	14,800	14,500	14,488	(12)
Franchise tax	31,700	29,700	31,564	1,864
Miscellaneous tax	1,000	2,700	985	(1,715)
Total special taxes	6,567,600	6,148,800	6,373,531	224,731
Reimbursements & fees:				
Institutional reimbursements	13,700	15,700	4,594	(11,106)
Liquor transfers	74,600	85,500	80,218	(5,282)
Interest	13,600	2,800	4,298	1,498
Fees	48,700	40,900	45,133	4,233
Judicial revenue	114,000	115,600	110,705	(4,895)
Miscellaneous receipts	38,600	37,900	39,989	2,089
Racing & gaming receipts	66,500	66,000	66,000	-
Total receipts	6,937,300	6,513,200	6,724,468	211,268
Transfers	138,800	153,600	140,933	(12,667)
TOTAL APPROPRIATED REVENUE	**7,076,100**	**6,666,800**	**6,865,401**	**198,601**
RECEIPTS CREDITED TO APPROPRIATIONS				
Sales tax quarterly	3	3	1	(2)
Multi suspense	3,858	4,725	4,123	(602)
Federal support	2,907,390	2,905,898	2,863,389	(42,509)
Local governments	181,879	181,879	159,470	(22,409)
Other states	1	3	123	120
Internal service transfers	407,179	426,794	488,693	61,899
Internal service reimbursements	27,718	30,199	28,057	(2,142)
Interest	1,096	70	92	22
Fees, licenses & permits	44,812	48,491	38,723	(9,768)
Refunds & reimbursements	305,909	308,856	426,172	117,316
Sale of equipment & salvage	5	6	6	-
Rents & leases	3,362	3,362	2,719	(643)
Agricultural sales	-	-	7	7
Other sales & services	3,430	3,530	3,796	266
Unearned receipts	1	80	278	198
Other	115,610	115,899	10,246	(105,653)
TOTAL APPROPRIATED RECEIPTS	**4,002,253**	**4,029,795**	**4,025,895**	**(3,900)**
TOTAL ALL REVENUE	**11,078,353**	**10,696,595**	**10,891,296**	**194,701**
SCHOOL INFRASTRUCTURE TRANSFER	**(401,900)**	**(363,800)**	**(372,525)**	**(8,725)**
REFUNDS OF TAXES COLLECTED	**(821,000)**	**(901,000)**	**(859,129)**	**41,871**
TOTAL REVENUES AVAILABLE	**9,855,453**	**9,431,795**	**9,659,642**	**227,847**

(continued on next page)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
EXPENDITURES				
Administration & regulation	408,793	443,726	440,610	3,116
Agriculture & natural resources	151,777	152,131	142,860	9,271
Economic development	84,294	78,135	75,564	2,571
Education	3,482,759	3,196,418	3,204,395	(7,977)
Health & human services	4,873,990	4,752,792	4,717,778	35,014
Justice	587,789	562,014	548,122	13,892
Transportation	1,498	1,350	410	940
Judicial	164,831	153,890	153,949	(59)
Legislature	33,418	30,234	31,950	(1,716)
TOTAL EXPENDITURES	**9,789,149**	**9,370,690**	**9,315,638**	**55,052**
REVENUES AVAILABLE OVER EXPENDITURES AND TRANSFERS	**66,304**	**61,105**	**344,004**	**282,899**
OTHER FINANCING SOURCES (USES)				
Balances credited to appropriations	60,142	80,254	80,254	-
Unexpended appropriations	(29,011)	(40,680)	(88,709)	(48,029)
TOTAL OTHER FINANCING SOURCES (USES)	**31,131**	**39,574**	**(8,455)**	**(48,029)**
REVENUES AVAILABLE OVER EXPENDITURES AND OTHER ITEMS	**97,435**	**100,679**	**335,549**	**234,870**
BEGINNING FUND BALANCE (BUDGETARY)	**-**	**-**	**-**	**-**
REMAINING FUND BALANCE (BUDGETARY)	**$ 97,435**	**$ 100,679**	**$ 335,549**	**$ 234,870**
ENDING FUND BALANCE (BUDGETARY)	**$ 97,435**	**$ 100,679**	**$ 335,549**	
AUTHORIZED TRANSFER TO THE:				
Senior Living Trust Fund	(25,900)	(48,267)	(48,267)	
Cash Reserve Fund	(71,535)	(52,412)	(287,282)	
REMAINING FUND BALANCE (BUDGETARY)	**$ -**	**$ -**	**$ -**	

The notes are an integral part of the financial statements.

STATE OF IOWA

Required Supplementary Information
Budgetary Comparison Schedule - Budget to GAAP Reconciliation - General Fund

June 30, 2010
(Expressed in Thousands)

Fund balance- budgetary/legal	**$**	**335,549**
Basis of accounting differences:		
Balance sheet accounts:		
Accounts receivable		311,148
Loans receivable		121
Due from other funds		317
Prepaid expenditures		15,930
Accounts payable & accruals		(129,392)
Due to other funds		(58,846)
Deferred revenue		(231,818)
Reserved encumbrances		88,709
Timing differences:		
Petty cash & inventory expensed in budgetary accounting		16,932
Perspective differences		2,082,606
Total fund balance - GAAP basis		**2,431,256**
Less: reserved fund balance - GAAP basis		1,516,101
Unreserved fund balance - GAAP basis	**$**	**915,155**

BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the year ended June 30, 2010, actual expenditures exceeded budgeted expenditures in the General Fund in the Education, Judicial and Legislative functions.

For the Education function, the *Department of Education* received additional federal funds for the School Lunch Program, Summer Food Service for Children Program, Fresh Fruit and Vegetable Program, and the Rehabilitation Services-Basic Support Program in the Vocational Rehabilitation Division, and expended those funds for allowable program expenditures. The *Board of Regents* received additional funds from the Grow Iowa Values Fund and expended those funds for allowable program expenditures.

For the Judicial function, the *Iowa Courts* received additional revenues over budgeted amounts and expended those funds on allowable program expenditures.

For the Legislative function, the *Legislature* has standing unlimited appropriations which, according to Section 2.12 of the Code of Iowa, allows them to spend additional funds without amending the original budget.

BUDGETARY PRESENTATION

The budget encompasses the General Fund of the State and some Special Revenue Funds, (Real Estate Education, Unclaimed Winnings, Vertical Infrastructure Fund, Federal Economic Stimulus and Jobs Holding Fund, Environment First Fund, Property Tax Credit Fund, Technology Reinvestment Fund, Federal Recovery and Reinvestment Fund, Healthy Iowan's Tobacco Trust, Revenue Bonds Capital Fund, Underground Storage Tank Unassigned Revenue, Tobacco Tax Exempt Bond Proceeds Restricted Capital, Endowment for Iowa's Health Account, Endowment for Iowa's Health Restricted Capitals Fund, Agrichemical Remediation Fund, Resources Enhancement and Protection Fund, Land Recycling Fund, Fish and Game Trust Fund, Conservation Administration Fund, Forestry Management Enhancement Fund, Water Quality Protection, National Pollutant Discharge Elimination System Permit, Workforce Development Withholding, Local Housing Assistance, Grow Iowa Values Fund, Renewable Fuel Infrastructure Fund, State Housing Trust Fund, Special Contingency Fund, School Infrastructure Fund, Stafford Loan Program, Gambling Treatment Program, Department of Human Services Reinvestment Fund, Pharmaceutical Settlement Fund, Health Care Transformation Fund, Iowacare Fund, Health Care Trust, Quality Assurance Fund, Primary Road Fund, State Aviation Fund and Court Technology and Modernization Fund). There is a perspective difference between budget and financial reporting due to the difference in fund structures. The budgetary presentation will vary from the financial presentation for funds displayed in the supplementary information due to this difference. The General Fund is displayed in the Required Supplementary Information (RSI) Budgetary Comparison Schedule. The major Special Revenue Funds, Tobacco Settlement Authority and Tobacco Collections Fund, do not have legally adopted budgets, therefore, they are not displayed. The nonmajor Special Revenue Funds are displayed with the combining financial statements and schedules for nonmajor funds. The nonmajor Special Revenue Funds are reported in the supplementary information section.

The beginning budgetary fund balance for the nonmajor Special Revenue Funds was restated to include the Department of Human Services Reinvestment Fund. This fund was established in the prior year; however, fiscal year 2010 is the first year moneys were appropriated (budgeted) from the fund. This fund is classified as a Special Revenue Fund for budgetary purposes. The following summarizes the change to the beginning budgetary fund balance for nonmajor Special Revenue Funds (expressed in thousands):

	Actual
July 1, 2009 budgetary fund balances	$ 557,737
Adjustment for:	
Department of Human Services Reinvestment Fund	9,394
Budgetary fund balances restated	$ 567,131

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

The original budget and related estimated revenues and expenditures represent the spending authority enacted into law by the appropriations bills as of July 1, 2009 and includes estimated approved budgetary carry-forwards from the prior fiscal year.

The final appropriations budget represents original and supplemental appropriations, actual budgetary carry-forwards, approved transfers, executive order reductions and timing differences.

The State's budget is prepared annually by the Governor on a modified cash basis, except for the accrual of county receivables, and is required to be submitted along with proposed appropriation bills to the General Assembly by the first of February prior to the new fiscal year. When an appropriation bill is passed by both houses of the General Assembly, the bill is enrolled and sent to the Governor. The Governor may sign it into law or veto it in whole or in part on a line item basis. Funds may be disbursed only after appropriations have been allotted by the Department of Management, subject to the review of the Governor, with the exception of standing unlimiteds and certain receipts that the Departments are authorized to expend. Appropriations are allotted for expenditure on a quarterly basis.

Departments may request revisions to quarterly allotments, appropriations transfers, or supplemental appropriations. The Department of Management approves revised allotments within an appropriation, subject to the Governor's review. The Governor and the Department of Management approve all appropriation transfers. The General Assembly and the Governor act on supplemental appropriation bills in a manner similar to original appropriations. Appropriations lapse at the fiscal year-end and all unencumbered or unobligated balances revert to the State treasury, unless otherwise provided.

The State utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods or services that have not been received or rendered, are recorded to reserve that portion of the applicable fund balance. Section 8.33, unnumbered paragraph 2, of the Code of Iowa, states, "No payment of an obligation for goods or services shall be charged to an appropriation subsequent to the last day of the fiscal year for which the appropriation is made unless the goods or services are received on or before the last day of the fiscal year, except that repair projects, purchase of specialized equipment and furnishings, and other contracts for services and capital expenditures for the purchase of land or the erection of buildings or new construction or remodeling, which were committed and in progress prior to the end of the fiscal year are excluded from this provision." That is, except for the above stated exceptions, the State must have received the goods or services on or before June 30, creating an actual liability or the encumbrance is cancelled against that fiscal year. If the encumbrances are still valid after June 30, they become expenditures / expenses of the next fiscal year.

Budgetary control is essentially maintained at the department fund level except for certain grant and aid programs where control is maintained at a program level. Revenues and expenditures are monitored on a continuing basis. State law authorizes the Governor to impose across-the-board pro rata reductions in allotments to ensure revenues and other available funds are sufficient to pay expenses of a given fiscal year.

Separate reports for the General Fund and budgeted Special Revenue Funds presenting detail of the legal level of control and actual expenditures are available from the Department of Management.

GENERAL FUND EXPENDITURE LIMITATION

The Code of Iowa, section 8.54, establishes a state General Fund expenditure limitation of 99.0% of the adjusted revenue estimate. The adjusted revenue estimate is the appropriated revenue estimate for the General Fund for the following fiscal year as determined by the Revenue Estimating Conference, adjusted by subtracting estimated tax refunds payable from that estimated revenue and as determined by the Conference, adding any new revenues which may be considered to be eligible for deposit into the General Fund. "New revenues" mean moneys which are received by the State due to increased tax rates and fees or newly created taxes and fees over and above those moneys which are received due to state taxes and fees which are in effect as of January 1 following the December Revenue Estimating Conference. "New revenues" also includes moneys received by the General Fund of the State due to new transfers over and above those moneys received by the General Fund of the State due to transfers which are in effect as of January 1 following the December Revenue Estimating Conference. The Department of Management shall obtain concurrence from the Revenue Estimating Conference on the eligibility of transfers to the General Fund which are to be considered as new revenue in determining the General Fund expenditure limitation.

This limitation shall be used by the Governor in the preparation of the budget and by the General Assembly in the budget process. If a source for new revenues is proposed, the budget revenue projection used for that new revenue source for the period beginning on the effective date of the new revenue source and ending in the fiscal year in which the source is included in the revenue base shall be an amount determined by subtracting estimated tax refunds payable from the projected revenue from the new revenue source, multiplied by 95.0%. If a new revenue source is established and implemented, the original General Fund expenditure limitation amount shall be readjusted to include 95.0% of the estimated revenue from the new source.

For fiscal years in which the Iowa Economic Emergency Fund transfers money to the General Fund, the original General Fund expenditure limitation amount provided for shall be readjusted to include the moneys which are so transferred.

The scope of the expenditure limitation shall not encompass federal funds, donations, constitutionally dedicated moneys and moneys in expenditures from state retirement system moneys. The Governor shall submit and the General Assembly shall pass a budget that does not exceed the State General Fund expenditure limitation. The Governor in submitting the budget and the General Assembly in passing a budget shall not have the recurring expenditures in excess of recurring revenues. The Governor shall not submit and the General Assembly shall not pass a budget which in order to balance assumes reversion of a specific amount for the total of the appropriations included in the budget.

RESERVE FUNDS

The **Iowa Economic Emergency Fund** was created in Iowa Code section 8.55. The fund is separate from the General Fund of the State and the balance in the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund, unless and to the extent the fund exceeds the maximum balance. The maximum balance of the fund is the amount equal to 2.5% of the adjusted revenue estimate for the fiscal year. If the amount of moneys in the Iowa Economic Emergency Fund is equal to the maximum balance, moneys in excess of this amount shall be transferred to the General Fund. The moneys in this fund may be appropriated by the General Assembly only in the fiscal year for which the appropriation is made. The moneys shall only be appropriated by the General Assembly for emergency expenditures. However, except as provided in section 8.58, the balance in the Iowa Economic Emergency Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund.

The **Cash Reserve Fund** was created in Iowa Code section 8.56. The fund is separate from the General Fund of the State and is not to be considered part of the General Fund of the State except in determining the cash position of the State. The moneys in the Cash Reserve Fund cannot be transferred, used, obligated, appropriated or otherwise encumbered except as provided under Iowa Code section 8.56. Interest or earnings on moneys deposited in the Cash Reserve Fund are credited to the Rebuild Iowa Infrastructure Fund. Moneys in this fund may be used for cash flow purposes provided that any moneys so allocated are returned to the Cash Reserve Fund by the end of each fiscal year. The maximum balance of the fund is equal to 7.5% of the adjusted revenue estimated for the General Fund of the State for the current fiscal year. The moneys in this fund may only be appropriated by the General Assembly for nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. The balance in the Cash Reserve Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. An appropriation shall not be made from the Cash Reserve Fund if the appropriation would cause the fund's balance to be less than 3.75% of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

STATE OF IOWA

Required Supplementary Information
Schedules of Funding Progress

(Expressed in Thousands)

PENSION PLANS

Peace Officers' Retirement, Accident and Disability System

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability		Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
2008	July 1, 2008	$ 307,292	$ 417,176	*	$ 109,884	73.66%	$ 40,830	269.13%
2009	July 1, 2009	300,262	432,894		132,632	69.36%	41,862	316.83%
2010	July 1, 2010	290,559	433,402		142,844	67.04%	41,955	340.47%

* The annual required contribution is calculated using the aggregate actuarial cost method. Information for the July 1, 2008, actuarial valuation is calculated using the entry age actuarial cost method as a surrogate for the funding progress of the plan.

Judicial Retirement System

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability		Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
2008	July 1, 2008	$ 88,198	$ 141,364	*	$ 53,167	63.10%	$ 26,663	199.40%
2009	July 1, 2009	93,045	151,029		57,984	61.61%	26,811	216.27%
2010	July 1, 2010	99,416	156,029		56,613	63.72%	25,480	222.19%

* Beginning with the July 1, 2008 actuarial valuation, the entry age actuarial cost method is used to calculate the actuarial accrued liability and the annual required contribution.

OTHER POSTEMPLOYMENT BENEFITS

Year Ended June 30,	Actuarial Valuation Date		Actuarial Value Of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
State Plan *								
2008	July 1, 2006		$ -	$ 219,628	$ 219,628	0.00%	$ 1,152,000	19.06%
2009	July 1, 2008		-	293,481	293,481	0.00%	1,561,799	18.79%
2010	July 1, 2008	***	-	293,481	293,481	0.00%	1,561,799	18.79%
University Funds **								
2008	July 1, 2007		$ -	$ 184,734	$ 184,734	0.00%	$ 1,160,401	15.92%
2009	July 1, 2007		-	201,800	201,800	0.00%	1,228,000	16.43%
2010	July 1, 2009		-	244,700	244,700	0.00%	1,247,600	19.61%

* The entry age actuarial cost method is used to calculate the actuarial accrued liability and the annual required contribution.

** The projected unit credit method is used to calculate the actuarial accrued liability and the annual required contribution.

*** The State is required to have a biennial valuation; the next valuation will be as of July 1, 2010.

Pension Trust funds and Other Postemployment Benefits are discussed in detail in the Notes to the Financial Statements (see NOTE 16 - PENSION PLANS and NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS).

SUPPLEMENTARY INFORMATION

STATE OF IOWA

Combining Balance Sheet
Nonmajor Governmental Funds - By Fund Type

June 30, 2010
(Expressed in Thousands)

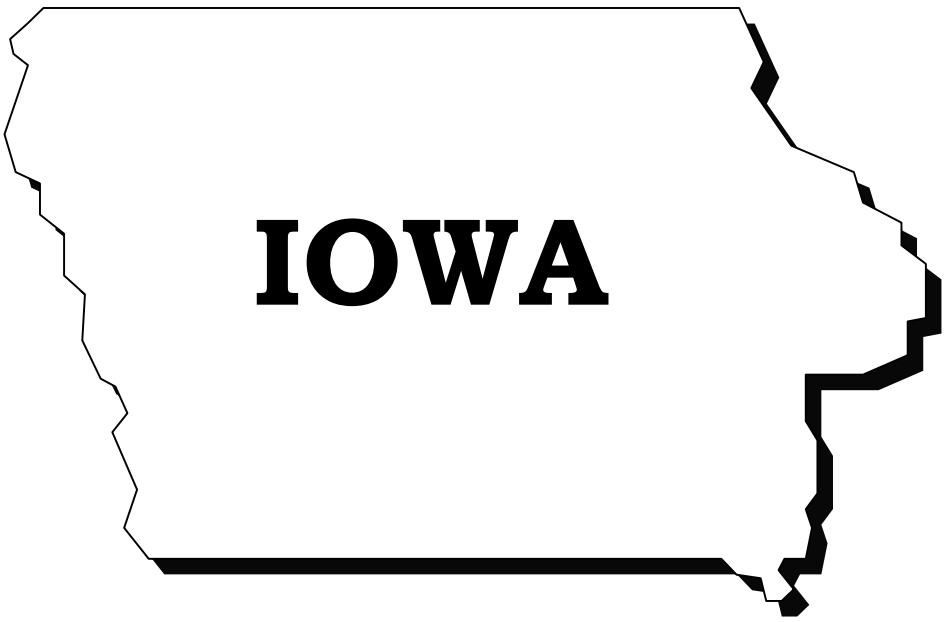
	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Current assets:				
Cash & investments	$ 90,900	$ 31,689	$ 24,863	$ 147,452
Deposits with trustees	2,414	1,115	-	3,529
Accounts receivable (net)	12,979	6,244	-	19,223
Loans receivable (net)	404	-	-	404
Due from other funds	2,020	1,674	596	4,290
Inventory	103	-	-	103
Prepaid expenditures	44	-	-	44
Total current assets	108,864	40,722	25,459	175,045
Noncurrent assets:				
Accounts receivable (net)	232	-	-	232
Loans receivable (net)	2,914	-	-	2,914
Due from other funds/ advances to other funds	28,000	-	-	28,000
Total noncurrent assets	31,146	-	-	31,146
TOTAL ASSETS	**$ 140,010**	**$ 40,722**	**$ 25,459**	**$ 206,191**
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	$ 4,108	$ 16,049	$ 7	$ 20,164
Due to other funds	3,868	2,754	-	6,622
Deferred revenue	2,055	163	-	2,218
Total current liabilities	10,031	18,966	7	29,004
Noncurrent liabilities:				
Accounts payable & accruals	13	-	-	13
Deferred revenue	2	-	-	2
Total noncurrent liabilities	15	-	-	15
TOTAL LIABILITIES	**10,046**	**18,966**	**7**	**29,019**
FUND BALANCES				
Reserved for:				
Inventory & prepaid expenditures	147	-	-	147
Noncurrent receivables	31,144	-	-	31,144
Specific purposes	74,812	-	25,452	100,264
Unreserved fund equity	23,861	21,756	-	45,617
TOTAL FUND BALANCES	**129,964**	**21,756**	**25,452**	**177,172**
TOTAL LIABILITIES & FUND BALANCES	**$ 140,010**	**$ 40,722**	**$ 25,459**	**$ 206,191**

STATE OF IOWA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - By Fund Type

For the Year Ended June 30, 2010
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Receipts from other entities	$ 56,409	$ 17,093	$ -	$ 73,502
Investment income	3,096	740	207	4,043
Fees, licenses & permits	12,896	-	-	12,896
Refunds & reimbursements	45,640	12	18	45,670
Sales, rents & services	4,069	-	-	4,069
Miscellaneous	11,105	-	-	11,105
Contributions	-	-	55	55
GROSS REVENUES	**133,215**	**17,845**	**280**	**151,340**
Less revenue refunds	12,411	-	-	12,411
NET REVENUES	**120,804**	**17,845**	**280**	**138,929**
EXPENDITURES				
Current:				
Administration & regulation	3,204	69	-	3,273
Education	93,500	-	-	93,500
Health & human rights	7,078	163	159	7,400
Human services	175	-	-	175
Justice & public defense	1,759	27	-	1,786
Economic development	177	-	-	177
Transportation	2,326	289	-	2,615
Agriculture & natural resources	1,202	7,567	-	8,769
Capital outlay:				
Administration & regulation	278	6,451	-	6,729
Education	98	-	-	98
Health & human rights	30	23,483	-	23,513
Human services	-	950	-	950
Justice & public defense	55	18,182	-	18,237
Transportation	6	1,339	-	1,345
Agriculture & natural resources	1	6,238	-	6,239
Debt service:				
Principal	-	6,140	-	6,140
Interest	1,507	2,263	-	3,770
TOTAL EXPENDITURES	**111,396**	**73,161**	**159**	**184,716**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**9,408**	**(55,316)**	**121**	**(45,787)**
OTHER FINANCING SOURCES (USES)				
Transfers in	123,429	52,439	3,562	179,430
Transfers out	(130,407)	(38,858)	(223)	(169,488)
Leases, installment purchases & other	53	-	-	53
Revenue bonds issued	-	11,074	-	11,074
TOTAL OTHER FINANCING SOURCES (USES)	**(6,925)**	**24,655**	**3,339**	**21,069**
NET CHANGE IN FUND BALANCES	**2,483**	**(30,661)**	**3,460**	**(24,718)**
FUND BALANCES - JULY 1, RESTATED	**127,481**	**52,417**	**21,992**	**201,890**
FUND BALANCES - JUNE 30	**$ 129,964**	**$ 21,756**	**$ 25,452**	**$ 177,172**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Guaranty Agency Operating fund receives collections on defaulted student loans, default aversion fees, account maintenance fees and interest to pay for the operating of the Iowa guaranteed loan program.

Honey Creek Authority accounts for bond proceeds issued for the development of Honey Creek Park. The bonds are to be repaid from net revenues of the park.

Federal Student Loan Reserve receives default fees, interest and overpayments and repurchase of claim payments to be used for payment of default claims to lenders and default aversion fees.

Iowa Public Television Foundation is a non-profit corporation that solicits and manages gifts of money and property for Iowa Public Television.

Other Special Revenue Funds are aggregated for reporting purposes and account for various other revenues which must be used for specific purposes.

STATE OF IOWA

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2010
(Expressed in Thousands)

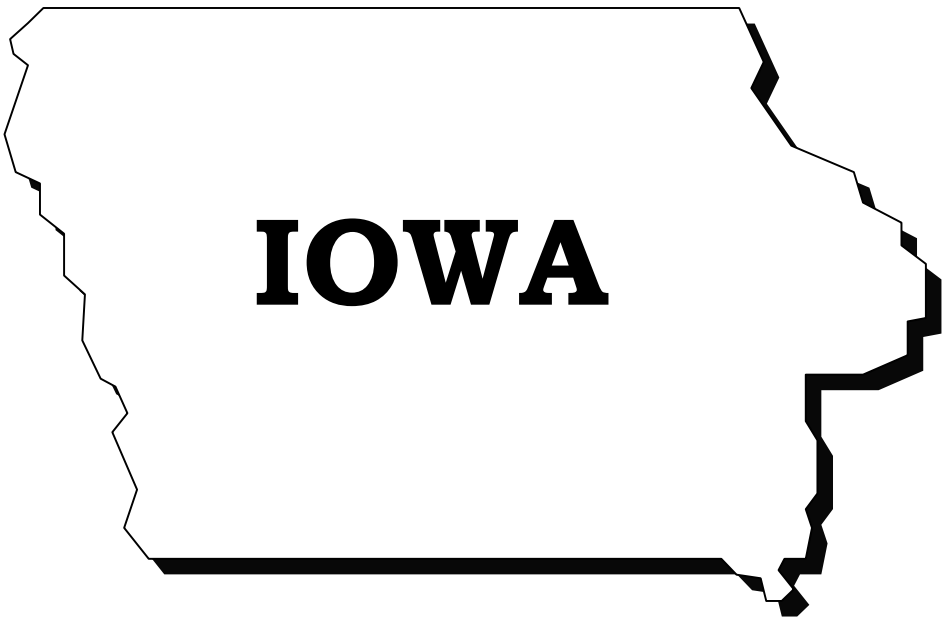
	GUARANTY AGENCY OPERATING	HONEY CREEK AUTHORITY	FEDERAL STUDENT LOAN RESERVE	IOWA PUBLIC TELEVISION FOUNDATION	OTHER	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 16,225	$ -	$ 25,421	$ 5,772	$ 43,482	$ 90,900
Deposits with trustees	-	2,414	-	-	-	2,414
Accounts receivable (net)	792	9	2,135	1,792	8,251	12,979
Loans receivable (net)	365	-	-	-	39	404
Due from other funds	538	-	194	-	1,288	2,020
Inventory	-	-	-	37	66	103
Prepaid expenditures	15	-	-	29	-	44
Total current assets	17,935	2,423	27,750	7,630	53,126	108,864
Noncurrent assets:						
Accounts receivable (net)	-	-	-	230	2	232
Loans receivable (net)	2,547	-	-	-	367	2,914
Due from other funds/ advances to other funds	-	28,000	-	-	-	28,000
Total noncurrent assets	2,547	28,000	-	230	369	31,146
TOTAL ASSETS	**$ 20,482**	**$ 30,423**	**$ 27,750**	**$ 7,860**	**$ 53,495**	**$ 140,010**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	$ 1,489	$ -	$ 55	$ 408	$ 2,156	$ 4,108
Due to other funds	164	-	471	638	2,595	3,868
Deferred revenue	-	-	-	1,797	258	2,055
Total current liabilities	1,653	-	526	2,843	5,009	10,031
Noncurrent liabilities:						
Accounts payable & accruals	-	-	-	-	13	13
Deferred revenue	-	-	-	-	2	2
Total noncurrent liabilities	-	-	-	-	15	15
TOTAL LIABILITIES	**1,653**	**-**	**526**	**2,843**	**5,024**	**10,046**
FUND BALANCES						
Reserved for:						
Inventory & prepaid expenditures	15	-	-	66	66	147
Noncurrent receivables	2,547	28,000	-	230	367	31,144
Specific purposes	16,267	2,423	27,224	2,944	25,954	74,812
Unreserved fund equity	-	-	-	1,777	22,084	23,861
TOTAL FUND BALANCES	**18,829**	**30,423**	**27,224**	**5,017**	**48,471**	**129,964**
TOTAL LIABILITIES & FUND BALANCES	**$ 20,482**	**$ 30,423**	**$ 27,750**	**$ 7,860**	**$ 53,495**	**$ 140,010**

STATE OF IOWA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds

For the Year Ended June 30, 2010
(Expressed in Thousands)

	GUARANTY AGENCY OPERATING	HONEY CREEK AUTHORITY	FEDERAL STUDENT LOAN RESERVE	IOWA PUBLIC TELEVISION FOUNDATION	OTHER	TOTAL
REVENUES						
Receipts from other entities	$ 8,834	$ -	$ 47,134	$ -	$ 441	$ 56,409
Investment income	336	113	305	451	1,891	3,096
Fees, licenses & permits	2	-	555	-	12,339	12,896
Refunds & reimbursements	3,921	-	41,046	-	673	45,640
Sales, rents & services	-	-	-	-	4,069	4,069
Miscellaneous	19	-	-	7,877	3,209	11,105
GROSS REVENUES	**13,112**	**113**	**89,040**	**8,328**	**22,622**	**133,215**
Less revenue refunds	2,481	-	8,127	-	1,803	12,411
NET REVENUES	**10,631**	**113**	**80,913**	**8,328**	**20,819**	**120,804**
EXPENDITURES						
Current:						
Administration & regulation	-	-	-	-	3,204	3,204
Education	15,569	-	73,807	3,181	943	93,500
Health & human rights	-	-	-	-	7,078	7,078
Human services	-	-	-	-	175	175
Justice & public defense	-	-	-	-	1,759	1,759
Economic development	-	-	-	-	177	177
Transportation	-	-	-	-	2,326	2,326
Agriculture & natural resources	-	2	-	-	1,200	1,202
Capital outlay:						
Administration & regulation	-	-	-	-	278	278
Education	45	-	-	53	-	98
Health & human rights	-	-	-	-	30	30
Justice & public defense	-	-	-	-	55	55
Transportation	-	-	-	-	6	6
Agriculture & natural resources	-	-	-	-	1	1
Debt service:						
Interest	-	1,507	-	-	-	1,507
TOTAL EXPENDITURES	**15,614**	**1,509**	**73,807**	**3,234**	**17,232**	**111,396**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(4,983)**	**(1,396)**	**7,106**	**5,094**	**3,587**	**9,408**
OTHER FINANCING SOURCES (USES)						
Transfers in	8,578	1,445	3,257	-	110,149	123,429
Transfers out	(3,348)	-	(8,509)	(4,598)	(113,952)	(130,407)
Leases, installment purchases & other	-	-	-	53	-	53
TOTAL OTHER FINANCING SOURCES (USES)	**5,230**	**1,445**	**(5,252)**	**(4,545)**	**(3,803)**	**(6,925)**
NET CHANGE IN FUND BALANCES	**247**	**49**	**1,854**	**549**	**(216)**	**2,483**
FUND BALANCES - JULY 1, RESTATED	**18,582**	**30,374**	**25,370**	**4,468**	**48,687**	**127,481**
FUND BALANCES - JUNE 30	**$ 18,829**	**$ 30,423**	**$ 27,224**	**$ 5,017**	**$ 48,471**	**$ 129,964**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STATE OF IOWA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2010
(Expressed in Thousands)

	PRIMARY ROAD FUND				REVENUE BONDS CAPITAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ 529,800	$ 529,800	$ 576,246	$ 46,446	$ -	$ -	$ -	$ -
RECEIPTS CREDITED TO APPROPRIATIONS:								
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	5	5	3	(2)	-	-	-	-
Federal support	188,247	188,247	361,942	173,695	7,069	-	306	306
Local governments	4,600	4,600	8,566	3,966	-	-	-	-
Other states	75	75	13,240	13,165	-	-	-	-
Reimbursements from other agencies	160	160	1,367	1,207	-	-	-	-
Interest	1	1	2	1	-	200	268	68
Bonds & loans	-	1	6,817	6,816	-	545,018	545,018	-
Fees, licenses & permits	860	860	1,552	692	-	-	-	-
Refunds & reimbursements	4,010	4,009	-	(4,009)	-	-	566	566
Sale of real estate	1,710	1,710	2,275	565	-	-	-	-
Sale of equipment & salvage	-	-	-	-	-	-	-	-
Rents & leases	16	16	18	2	-	-	-	-
Agricultural sales	-	-	-	-	-	-	-	-
Other sales & services	-	-	-	-	-	-	-	-
Unearned receipts	-	-	-	-	-	-	-	-
Income tax checkoffs	-	-	-	-	-	-	-	-
Other	2,750	2,751	3,746	995	-	-	-	-
TOTAL APPROPRIATED RECEIPTS	**202,434**	**202,435**	**399,528**	**197,093**	**7,069**	**545,218**	**546,158**	**940**
TOTAL REVENUES AVAILABLE	**732,234**	**732,235**	**975,774**	**243,539**	**7,069**	**545,218**	**546,158**	**940**
EXPENDITURES:								
Administration & regulation	-	-	-	-	292,026	295,354	30,784	264,570
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Transportation	269,782	275,880	740,904	(465,024) *	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	**269,782**	**275,880**	**740,904**	**(465,024)**	**292,026**	**295,354**	**30,784**	**264,570**
TRANSFERS	**296,468**	**297,368**	**295,214**	**2,154**	**117,600**	**177,532**	**26,443**	**151,089**
TOTAL EXPENDITURES & TRANSFERS	**566,250**	**573,248**	**1,036,118**	**(462,870)**	**409,626**	**472,886**	**57,227**	**415,659**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**165,984**	**158,987**	**(60,344)**	**(219,331)**	**(402,557)**	**72,332**	**488,931**	**416,599**
FUND BALANCES - JULY 1 (BUDGETARY - RESTATED)	**211,796**	**238,392**	**238,392**	**-**	**360,000**	**(2,345)**	**(2,345)**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ 377,780**	**$ 397,379**	**$ 178,048**	**$ (219,331)**	**$ (42,557)**	**$ 69,987**	**$ 486,586**	**$ 416,599**

(continued on next page)

STATE OF IOWA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2010
(Expressed in Thousands)
(continued)

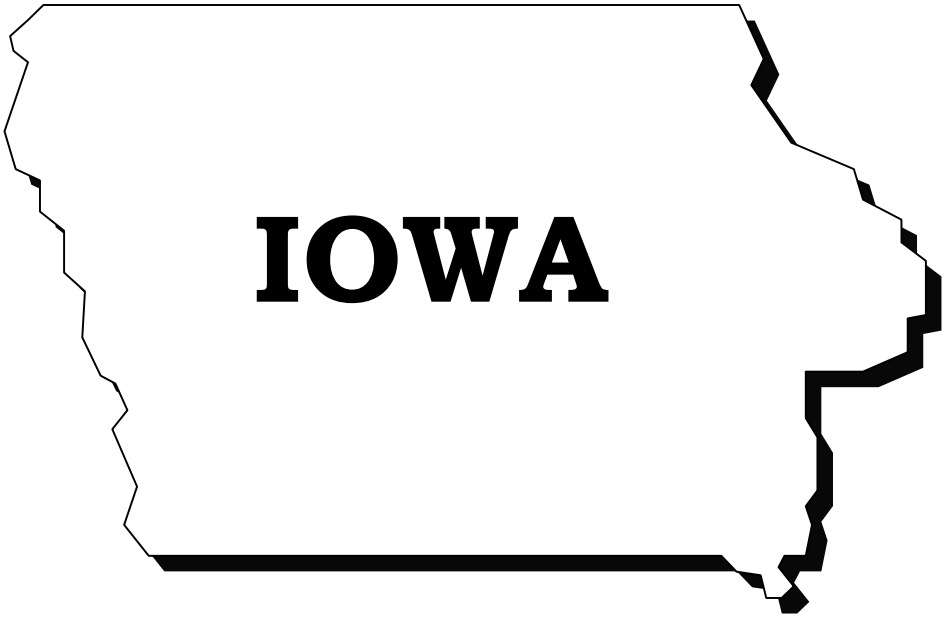
	FEDERAL RECOVERY AND REINVESTMENT FUND				GROW IOWA VALUES FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ -	$ -	$ -	$ -	$ 140,311	$ 140,311	$ 124,184	$ (16,127)
RECEIPTS CREDITED TO APPROPRIATIONS:								
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	-	-	-	-	-	-	-	-
Federal support	384,391	384,391	383,780	(611)	100	100	67	(33)
Local governments	-	-	-	-	-	-	-	-
Other states	-	-	-	-	-	-	-	-
Reimbursements from other agencies	-	-	-	-	-	-	-	-
Interest	-	-	172	172	466	666	844	178
Bonds & loans	-	-	-	-	4,964	4,924	6,437	1,513
Fees, licenses & permits	-	-	-	-	-	-	-	-
Refunds & reimbursements	-	-	-	-	55	105	663	558
Sale of real estate	-	-	-	-	-	-	-	-
Sale of equipment & salvage	-	-	-	-	-	-	-	-
Rents & leases	-	-	-	-	-	-	-	-
Agricultural sales	-	-	-	-	-	-	-	-
Other sales & services	-	-	-	-	-	-	-	-
Unearned receipts	-	-	-	-	-	-	-	-
Income tax checkoffs	-	-	-	-	-	-	-	-
Other	-	-	-	-	225	215	404	189
TOTAL APPROPRIATED RECEIPTS	**384,391**	**384,391**	**383,952**	**(439)**	**5,810**	**6,010**	**8,415**	**2,405**
TOTAL REVENUES AVAILABLE	**384,391**	**384,391**	**383,952**	**(439)**	**146,121**	**146,321**	**132,599**	**(13,722)**
EXPENDITURES:								
Administration & regulation	243,830	324,110	323,530	580	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	49,838	45,738	28,949	16,789
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	**243,830**	**324,110**	**323,530**	**580**	**49,838**	**45,738**	**28,949**	**16,789**
TRANSFERS	**140,561**	**60,281**	**60,250**	**31**	**97,021**	**101,796**	**103,232**	**(1,436)**
TOTAL EXPENDITURES & TRANSFERS	**384,391**	**384,391**	**383,780**	**611**	**146,859**	**147,534**	**132,181**	**15,353**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**-**	**-**	**172**	**172**	**(738)**	**(1,213)**	**418**	**1,631**
FUND BALANCES - JULY 1 (BUDGETARY - RESTATED)	**-**	**-**	**-**	**-**	**-**	**83,884**	**83,884**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ -**	**$ -**	**$ 172**	**$ 172**	**$ (738)**	**$ 82,671**	**$ 84,302**	**$ 1,631**

(continued on next page)

STATE OF IOWA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2010
(Expressed in Thousands)
(continued)

	OTHER				TOTAL			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ 407,478	$ 389,713	$ 360,661	$ (29,052)	$ 1,077,589	$ 1,059,824	$ 1,061,091	$ 1,267
RECEIPTS CREDITED TO APPROPRIATIONS:								
Other taxes	850	1,048	1,352	304	850	1,048	1,352	304
Wagering tax receipts	5,000	5,000	4,949	(51)	5,000	5,000	4,949	(51)
Individual income tax quarterly	4,000	4,000	4,000	-	4,000	4,000	4,000	-
Sales tax - DOT	-	-	-	-	5	5	3	(2)
Federal support	130,344	123,629	125,150	1,521	710,151	696,367	871,245	174,878
Local governments	39,385	39,271	39,182	(89)	43,985	43,871	47,748	3,877
Other states	-	-	-	-	75	75	13,240	13,165
Reimbursements from other agencies	1,101	1,131	1	(1,130)	1,261	1,291	1,368	77
Interest	9,609	10,741	2,070	(8,671)	10,076	11,608	3,356	(8,252)
Bonds & loans	-	500	221	(279)	4,964	550,443	558,493	8,050
Fees, licenses & permits	34,898	35,295	45,406	10,111	35,758	36,155	46,958	10,803
Refunds & reimbursements	5,000	5,995	13,068	7,073	9,065	10,109	14,297	4,188
Sale of real estate	-	-	13	13	1,710	1,710	2,288	578
Sale of equipment & salvage	20	20	1	(19)	20	20	1	(19)
Rents & leases	5	5	237	232	21	21	255	234
Agricultural sales	10	10	167	157	10	10	167	157
Other sales & services	1,397	1,397	2,178	781	1,397	1,397	2,178	781
Unearned receipts	310	310	975	665	310	310	975	665
Income tax checkoffs	150	150	115	(35)	150	150	115	(35)
Other	766	737	507	(230)	3,741	3,703	4,657	954
TOTAL APPROPRIATED RECEIPTS	**232,845**	**229,239**	**239,592**	**10,353**	**832,549**	**1,367,293**	**1,577,645**	**210,352**
TOTAL REVENUES AVAILABLE	**640,323**	**618,952**	**600,253**	**(18,699)**	**1,910,138**	**2,427,117**	**2,638,736**	**211,619**
EXPENDITURES:								
Administration & regulation	228,455	239,053	200,596	38,457	764,311	858,517	554,910	303,607
Agriculture & natural resources	26,545	26,545	16,692	9,853	26,545	26,545	16,692	9,853
Economic development	22,427	24,270	8,282	15,988	72,265	70,008	37,231	32,777
Education	21,623	26,382	21,578	4,804	21,623	26,382	21,578	4,804
Health & human services	57,944	60,302	56,523	3,779	57,944	60,302	56,523	3,779
Transportation	-	2	2,034	(2,032) *	269,782	275,882	742,938	(467,056) *
Judicial	1,968	1,968	799	1,169	1,968	1,968	799	1,169
TOTAL EXPENDITURES	**358,962**	**378,522**	**306,504**	**72,018**	**1,214,438**	**1,319,604**	**1,430,671**	**(111,067)**
TRANSFERS	**373,126**	**368,260**	**334,814**	**33,446**	**1,024,776**	**1,005,237**	**819,953**	**185,284**
TOTAL EXPENDITURES & TRANSFERS	**732,088**	**746,782**	**641,318**	**105,464**	**2,239,214**	**2,324,841**	**2,250,624**	**74,217**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**(91,765)**	**(127,830)**	**(41,065)**	**86,765**	**(329,076)**	**102,276**	**388,112**	**285,836**
FUND BALANCES - JULY 1 (BUDGETARY - RESTATED)	**120,465**	**247,200**	**247,200**	**-**	**692,261**	**567,131**	**567,131**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ 28,700**	**$ 119,370**	**$ 206,135**	**$ 86,765**	**$ 363,185**	**$ 669,407**	**$ 955,243**	**$ 285,836**

* Actual expenditures exceeded budgeted expenditures as a result of the receipt and legal expenditure of other non-state funds which have been received for restricted purposes. In the Special Revenue Funds this occurred in the Primary Road Fund and the State Aviation Fund in the Transportation function.


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Capital Projects Funds

Capital Projects Funds are used to account for the construction of major capital facilities other than those financed by proprietary funds and trust funds.

General Services Capitals Fund is used to account for various building projects.

Endowment for Iowa's Health Restricted Capitals Fund receives the tax-exempt portion of the Tobacco Settlement Authority's refunding of the tobacco bonds for capital project expenditures as allowed in the tax certificate of the refinancing.

Marine Fuel Tax Capitals Fund is used to account for the acquisition of water access, development projects, water safety stations, marinas and any other project which improves water recreation.

Fish & Game Capitals Fund is used to account for land acquisition and capital projects related to fish and wildlife.

Other Capital Projects Funds are aggregated for reporting purposes and account for construction of various armories, prison expansion programs and other specific projects.

STATE OF IOWA

Combining Balance Sheet
Nonmajor Capital Projects Funds

June 30, 2010
(Expressed in Thousands)

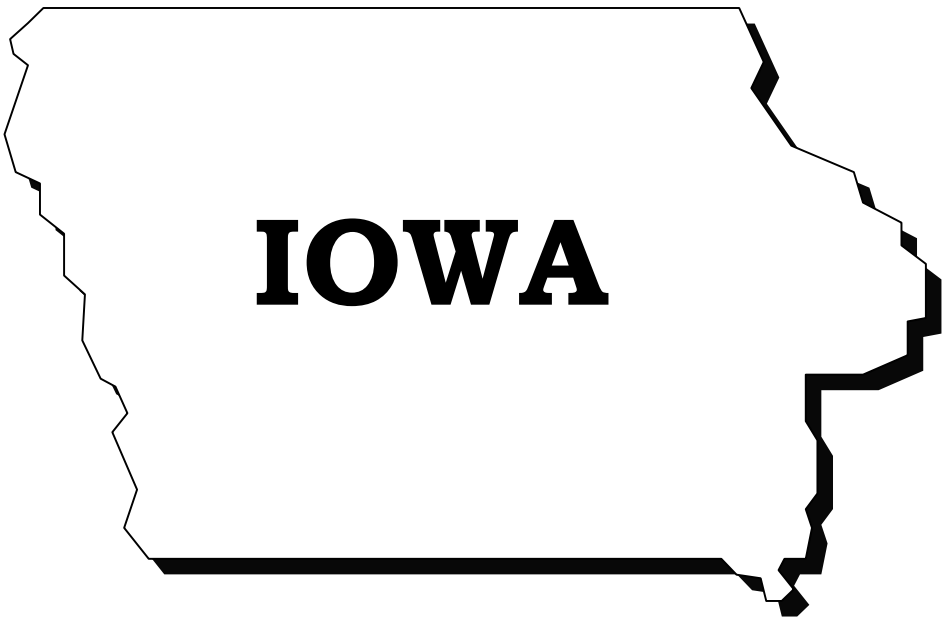
	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	FISH & GAME CAPITALS FUND	OTHER	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 6,932	$ 14,469	$ 4,235	$ 33	$ 6,020	$ 31,689
Deposits with trustees	-	-	-	-	1,115	1,115
Accounts receivable	-	5,922	164	2	156	6,244
Due from other funds	125	80	369	1,100	-	1,674
TOTAL ASSETS	**$ 7,057**	**$ 20,471**	**$ 4,768**	**$ 1,135**	**$ 7,291**	**$ 40,722**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	$ 6,710	$ 111	$ 187	$ 821	$ 8,220	$ 16,049
Due to other funds	159	153	45	17	2,380	2,754
Deferred revenue	-	-	163	-	-	163
TOTAL LIABILITIES	**6,869**	**264**	**395**	**838**	**10,600**	**18,966**
FUND BALANCES						
Unreserved fund equity	188	20,207	4,373	297	(3,309)	21,756
TOTAL LIABILITIES & FUND BALANCES	**$ 7,057**	**$ 20,471**	**$ 4,768**	**$ 1,135**	**$ 7,291**	**$ 40,722**

STATE OF IOWA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds

For the Year Ended June 30, 2010
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	FISH & GAME CAPITALS FUND	OTHER	TOTAL
REVENUES						
Receipts from other entities	$ 14	$ 16,997	$ 82	$ -	$ -	$ 17,093
Investment income	-	446	-	-	294	740
Refunds & reimbursements	-	-	12	-	-	12
TOTAL REVENUES	**14**	**17,443**	**94**	**-**	**294**	**17,845**
EXPENDITURES						
Current:						
Administration & regulation	-	-	-	-	69	69
Health & human rights	-	163	-	-	-	163
Justice & public defense	-	-	-	-	27	27
Transportation	-	289	-	-	-	289
Agriculture & natural resources	-	191	354	7,022	-	7,567
Capital outlay:						
Administration & regulation	243	-	-	-	6,208	6,451
Health & human rights	22,991	492	-	-	-	23,483
Human services	631	319	-	-	-	950
Justice & public defense	251	2,171	-	-	15,760	18,182
Transportation	-	1,339	-	-	-	1,339
Agriculture & natural resources	-	805	770	4,663	-	6,238
Debt service:						
Principal	-	-	-	-	6,140	6,140
Interest	-	-	-	-	2,263	2,263
TOTAL EXPENDITURES	**24,116**	**5,769**	**1,124**	**11,685**	**30,467**	**73,161**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(24,102)**	**11,674**	**(1,030)**	**(11,685)**	**(30,173)**	**(55,316)**
OTHER FINANCING SOURCES (USES)						
Transfers in	22,688	-	2,803	11,900	15,048	52,439
Transfers out	-	(38,540)	(257)	-	(61)	(38,858)
Revenue bonds issued	-	-	-	-	11,074	11,074
TOTAL OTHER FINANCING SOURCES (USES)	**22,688**	**(38,540)**	**2,546**	**11,900**	**26,061**	**24,655**
NET CHANGE IN FUND BALANCES	**(1,414)**	**(26,866)**	**1,516**	**215**	**(4,112)**	**(30,661)**
FUND BALANCES - JULY 1	**1,602**	**47,073**	**2,857**	**82**	**803**	**52,417**
FUND BALANCES - JUNE 30	**$ 188**	**$ 20,207**	**$ 4,373**	**$ 297**	**$ (3,309)**	**$ 21,756**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Permanent Funds

Permanent Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizens.

Iowa Cultural Trust Fund accounts for assets held for the Iowa Cultural Trust. The principal is preserved and applicable interest is transferred to the Cultural Grant Fund to be used for purposes consistent with the Trust.

Iowa Veterans Trust Fund accounts for assets held for the benefit of veterans. The principal is maintained and the applicable interest is transferred to the Veterans Affairs Commission to be used for purposes consistent with the Trust. New legislation amended the fund to allow a portion of the principal to be transferred out of the fund to establish the veteran's cemetery.

Iowa Public Television Foundation Endowment is used to hold a restricted gift made to Iowa Pubic Television. While the corpus of the gift is not available to spend, the earnings of the gift are restricted for the acquisition and/or production of quality family programming. Earnings are transferred to the Iowa Public Television Foundation.

Permanent School Principal Fund accounts for the principal derived from the sale of specific land. The interest is to be used for educational purposes.

Other Permanent Funds aggregates the Henry Albert Trust Fund which accounts for trust money for the Department of Public Health and the Pilot Grove Trust Fund which accounts for a $10,000 donation in support and maintenance of the Pilot Grove area.

STATE OF IOWA

Combining Balance Sheet
Nonmajor Permanent Funds

June 30, 2010
(Expressed in Thousands)

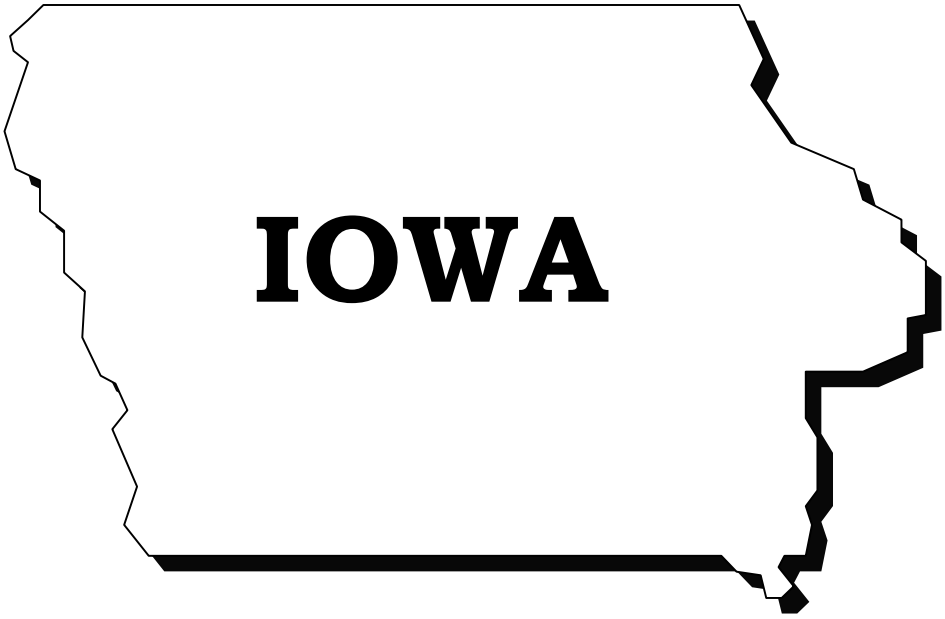
	IOWA CULTURAL TRUST FUND	IOWA VETERANS TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PERMANENT SCHOOL PRINCIPAL FUND	OTHER	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 5,176	$ 10,154	$ 1,548	$ 7,974	$ 11	$ 24,863
Due from other funds	-	596	-	-	-	596
TOTAL ASSETS	**$ 5,176**	**$ 10,750**	**$ 1,548**	**$ 7,974**	**$ 11**	**$ 25,459**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	$ -	$ 7	$ -	$ -	$ -	$ 7
TOTAL LIABILITIES	**-**	**7**	**-**	**-**	**-**	**7**
FUND BALANCES						
Reserved for specific purposes	5,176	10,743	1,548	7,974	11	25,452
TOTAL LIABILITIES & FUND BALANCES	**$ 5,176**	**$ 10,750**	**$ 1,548**	**$ 7,974**	**$ 11**	**$ 25,459**

STATE OF IOWA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds

For the Year Ended June 30, 2010
(Expressed in Thousands)

	IOWA CULTURAL TRUST FUND	IOWA VETERANS TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PERMANENT SCHOOL PRINCIPAL FUND	OTHER	TOTAL
REVENUES						
Investment income	$ -	$ 9	$ 198	$ -	$ -	$ 207
Refunds & reimbursements	-	18	-	-	-	18
Contributions	-	55	-	-	-	55
TOTAL REVENUES	**-**	**82**	**198**	**-**	**-**	**280**
EXPENDITURES						
Current:						
Health & human rights	-	159	-	-	-	159
TOTAL EXPENDITURES	**-**	**159**	**-**	**-**	**-**	**159**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**-**	**(77)**	**198**	**-**	**-**	**121**
OTHER FINANCING SOURCES (USES)						
Transfers in	900	2,662	-	-	-	3,562
Transfers out	-	(25)	(198)	-	-	(223)
TOTAL OTHER FINANCING SOURCES (USES)	**900**	**2,637**	**(198)**	**-**	**-**	**3,339**
NET CHANGE IN FUND BALANCES	**900**	**2,560**	**-**	**-**	**-**	**3,460**
FUND BALANCES - JULY 1	**4,276**	**8,183**	**1,548**	**7,974**	**11**	**21,992**
FUND BALANCES - JUNE 30	**$ 5,176**	**$ 10,743**	**$ 1,548**	**$ 7,974**	**$ 11**	**$ 25,452**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Enterprise Funds

Enterprise Funds account for activities for which fees are charged to external users for goods and services. This fund type is also used when the activity is financed with debt that is secured with fees and charges, as well as when the pricing policy of the activity is designated to recover its costs.

Iowa Communications Network accounts for a statewide telecommunications system and its related revenues and expenses.

Iowa Lottery Authority is used to account for lottery revenues, administrative and operating expenses of the Lottery Authority and the distribution of revenue to the General Fund.

Honey Creek Park is used to account for development of the destination park and park operations.

Liquor Control Act is used to account for the revenues and expenses related to the sale of alcoholic beverages.

Other Enterprise Funds are aggregated for reporting purposes and account for other miscellaneous activities that meet the definition of Enterprise Funds.

STATE OF IOWA

Combining Statement of Net Assets
Nonmajor Enterprise Funds

June 30, 2010
(Expressed in Thousands)

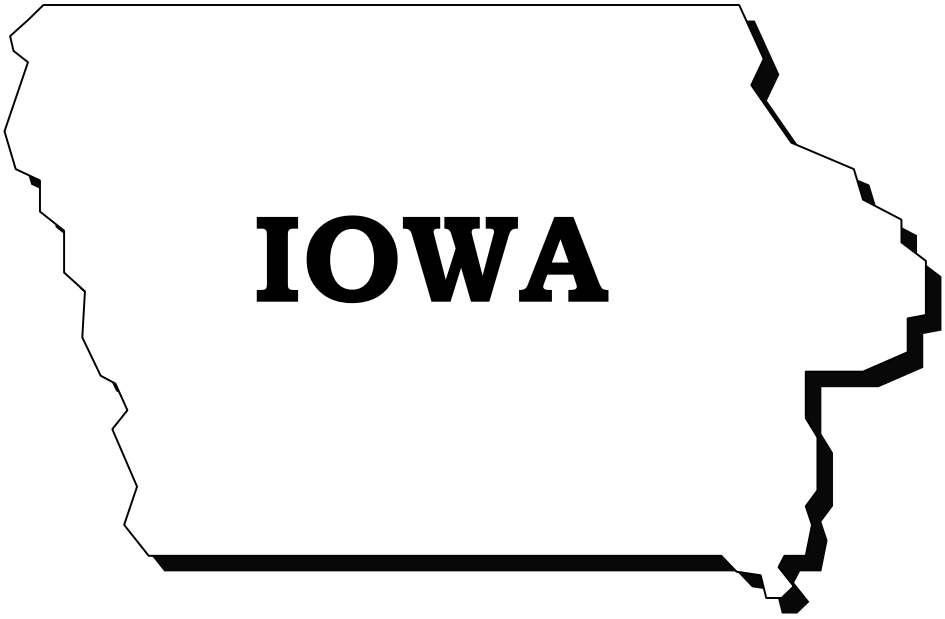
	IOWA COMMUNICATIONS NETWORK	IOWA LOTTERY AUTHORITY	HONEY CREEK PARK	LIQUOR CONTROL ACT	OTHER	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 14,232	$ 18,427	$ 464	$ 8,046	$ 4,976	$ 46,145
Accounts receivable (net)	12,054	3,703	96	5,251	2,494	23,598
Interest receivable	33	20	-	-	-	53
Due from other funds	-	-	1	-	19	20
Inventory	2,056	1,594	130	1,006	7,972	12,758
Prepaid expenses	352	26	112	8	131	629
Investment in prize annuity	-	2,096	-	-	-	2,096
Total current assets	28,727	25,866	803	14,311	15,592	85,299
Noncurrent assets:						
Capital assets - nondepreciable	168	392	50,100	210	656	51,526
Capital assets - depreciable (net)	19,273	3,043	-	126	6,181	28,623
Investment in prize annuity	-	8,647	-	-	-	8,647
Prize deposit	-	4,359	-	-	-	4,359
Total noncurrent assets	19,441	16,441	50,100	336	6,837	93,155
TOTAL ASSETS	**48,168**	**42,307**	**50,903**	**14,647**	**22,429**	**178,454**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	5,112	1,667	622	7,469	1,361	16,231
Due to other funds/advances from other funds	-	14,884	-	349	2	15,235
Interest payable	-	4	-	-	-	4
Unearned revenue	163	166	573	-	86	988
Compensated absences	699	637	-	111	685	2,132
Bonds payable	-	100	-	-	-	100
Annuities payable	-	2,096	-	-	-	2,096
Lottery prizes payable	-	2,295	-	-	-	2,295
Total current liabilities	5,974	21,849	1,195	7,929	2,134	39,081
Noncurrent liabilities:						
Accounts payable & accruals	421	1,414	-	145	802	2,782
Due to other funds/advances from other funds	-	-	28,000	-	-	28,000
Compensated absences	527	636	-	47	1,168	2,378
Bonds payable	-	1,200	-	-	-	1,200
Annuities payable	-	8,647	-	-	-	8,647
Lottery prizes payable	-	4,359	-	-	-	4,359
Total noncurrent liabilities	948	16,256	28,000	192	1,970	47,366
TOTAL LIABILITIES	**6,922**	**38,105**	**29,195**	**8,121**	**4,104**	**86,447**
NET ASSETS						
Invested in capital assets, net of related debt	19,441	2,135	50,100	336	6,839	78,851
Unrestricted	21,805	2,067	(28,392)	6,190	11,486	13,156
TOTAL NET ASSETS	**$ 41,246**	**$ 4,202**	**$ 21,708**	**$ 6,526**	**$ 18,325**	**$ 92,007**

STATE OF IOWA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds

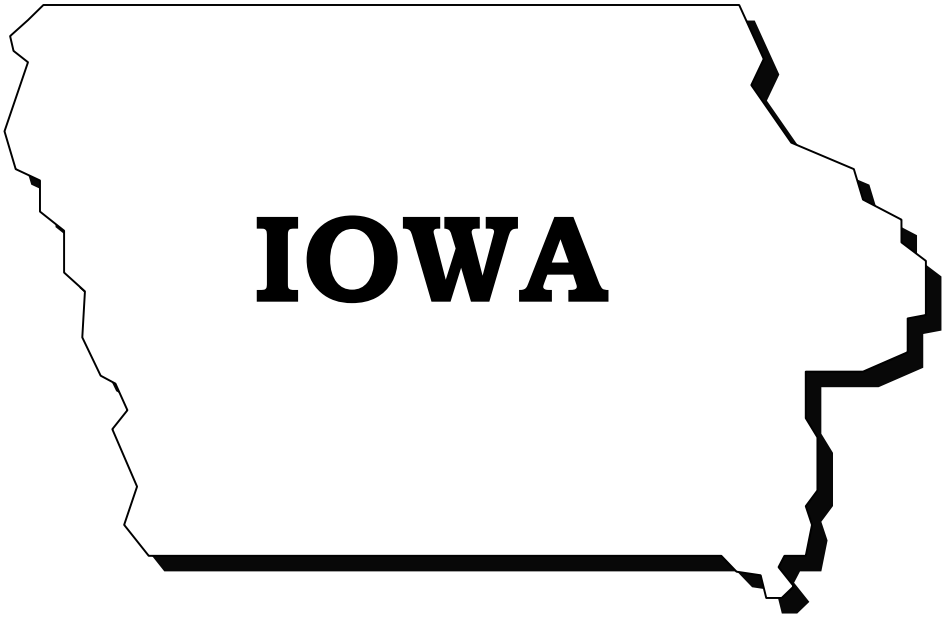
For the Year Ended June 30, 2010
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	IOWA LOTTERY AUTHORITY	HONEY CREEK PARK	LIQUOR CONTROL ACT	OTHER	TOTAL
OPERATING REVENUES						
Receipts from other entities	$ -	$ -	$ 750	$ -	$ -	$ 750
Fees, licenses & permits	-	-	-	12,483	2,452	14,935
Refunds & reimbursements	-	-	-	222	111	333
Sales, rents & services	31,610	256,282	5,717	210,164	20,139	523,912
Miscellaneous	-	-	-	1,552	481	2,033
TOTAL OPERATING REVENUES	**31,610**	**256,282**	**6,467**	**224,421**	**23,183**	**541,963**
OPERATING EXPENSES						
General & administrative	9,294	-	1,392	-	7	10,693
Depreciation	4,368	865	-	59	805	6,097
Direct expense	11,105	12,049	-	-	15,052	38,206
Prize expense	-	150,454	-	-	-	150,454
Personal services	-	-	-	2,617	4,378	6,995
Travel & subsistence	-	-	-	398	93	491
Supplies & materials	-	3,281	-	136	203	3,620
Contractual services	-	32,258	4,397	1,395	2,036	40,086
Equipment & repairs	-	-	-	16	65	81
Claims & miscellaneous	12,377	-	814	137,154	694	151,039
Licenses, permits & refunds	-	-	-	699	10	709
State aid & credits	-	-	-	3,585	-	3,585
TOTAL OPERATING EXPENSES	**37,144**	**198,907**	**6,603**	**146,059**	**23,343**	**412,056**
OPERATING INCOME (LOSS)	**(5,534)**	**57,375**	**(136)**	**78,362**	**(160)**	**129,907**
NONOPERATING REVENUES (EXPENSES)						
Taxes	-	-	-	6,459	-	6,459
Investment income	113	365	1	-	39	518
Interest expense	-	(46)	-	-	-	(46)
Gain on sale of capital assets	-	-	-	-	101	101
Loss on sale of capital assets	-	-	-	-	(25)	(25)
NET NONOPERATING REVENUES	**113**	**319**	**1**	**6,459**	**115**	**7,007**
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	**(5,421)**	**57,694**	**(135)**	**84,821**	**(45)**	**136,914**
Capital contributions & grants	-	-	3,779	-	-	3,779
Transfers in	7,287	-	-	-	-	7,287
Transfers out	-	(57,907)	(1,445)	(81,512)	-	(140,864)
CHANGE IN NET ASSETS	**1,866**	**(213)**	**2,199**	**3,309**	**(45)**	**7,116**
TOTAL NET ASSETS - JULY 1	**39,380**	**4,415**	**19,509**	**3,217**	**18,370**	**84,891**
TOTAL NET ASSETS - JUNE 30	**$ 41,246**	**$ 4,202**	**$ 21,708**	**$ 6,526**	**$ 18,325**	**$ 92,007**


IOWA

STATE OF IOWA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2010
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	IOWA LOTTERY AUTHORITY	HONEY CREEK PARK	LIQUOR CONTROL ACT	OTHER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	$ 26,804	$ 255,589	$ 6,419	$ 222,123	$ 22,104	$ 533,039
Cash received from miscellaneous	-	23	(18)	1,774	592	2,371
Cash payments to suppliers for goods & services	(24,471)	(37,939)	(6,625)	(144,380)	(17,057)	(230,472)
Cash payments to employees for services	(8,480)	(8,818)	-	(2,970)	(4,635)	(24,903)
Cash payments for prizes	-	(153,358)	-	-	-	(153,358)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(6,147)**	**55,497**	**(224)**	**76,547**	**1,004**	**126,677**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	7,287	-	-	-	-	7,287
Transfers out to other funds	-	(59,362)	(1,445)	(81,168)	-	(141,975)
Tax receipts	-	-	-	6,459	-	6,459
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**7,287**	**(59,362)**	**(1,445)**	**(74,709)**	**-**	**(128,229)**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	(94)	(43)	1,628	7	(1,226)	272
Interest payments	-	(46)	-	-	-	(46)
Debt payments	-	(100)	-	-	-	(100)
Proceeds from sale of capital assets	-	32	-	-	-	32
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	**(94)**	**(157)**	**1,628**	**7**	**(1,226)**	**158**
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	120	379	1	-	39	539
Proceeds from sale & maturities of investments	-	2,855	-	-	-	2,855
NET CASH PROVIDED BY INVESTING ACTIVITIES	**120**	**3,234**	**1**	**-**	**39**	**3,394**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**1,166**	**(788)**	**(40)**	**1,845**	**(183)**	**2,000**
CASH & CASH EQUIVALENTS - JULY 1	**13,066**	**19,215**	**504**	**6,201**	**5,159**	**44,145**
CASH & CASH EQUIVALENTS - JUNE 30	**$ 14,232**	**$ 18,427**	**$ 464**	**$ 8,046**	**$ 4,976**	**$ 46,145**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	$ (5,534)	$ 57,375	$ (136)	$ 78,362	$ (160)	$ 129,907
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	4,368	865	-	59	805	6,097
Gain on sale of capital assets	-	(3)	-	-	-	(3)
(Increase) decrease in accounts receivable	(4,873)	(396)	(19)	(524)	(508)	(6,320)
(Increase) decrease in due from	-	-	1	-	(4)	(3)
(Increase) decrease in inventory	(840)	(399)	(1)	(182)	(115)	(1,537)
(Increase) decrease in prepaid expenses	24	47	(28)	16	(9)	50
Increase (decrease) in accounts payable	640	1,285	7	(1,229)	1,167	1,870
Increase (decrease) in due to	-	28	-	-	(33)	(5)
Increase (decrease) in unearned revenue	67	(242)	(48)	-	25	(198)
Increase (decrease) in compensated absences	1	(166)	-	45	(164)	(284)
Increase (decrease) in prizes payable	-	(2)	-	-	-	(2)
Increase (decrease) in prize annuity	-	(2,895)	-	-	-	(2,895)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (6,147)**	**$ 55,497**	**$ (224)**	**$ 76,547**	**$ 1,004**	**$ 126,677**
NONCASH CAPITAL & RELATED FINANCING ACTIVITIES						
Capital assets contributed	$ -	$ -	$ 3,779	$ -	$ -	$ 3,779


IOWA

COMBINING FINANCIAL STATEMENTS

Internal Service Funds

Internal Service Funds account for State activities that provide goods and services to other State departments or agencies on a cost reimbursement basis.

Workers' Compensation Fund receives funds associated with the workers' compensation program to pay claims and administrative support costs.

Materials & Equipment Revolving Fund accounts for the purchase, repair, maintenance and replacement of equipment, machinery and supplies used by the Department of Transportation.

Depreciation Revolving Fund receives monthly depreciation payments from State departments owning vehicles. The money is used to purchase replacement vehicles for the departments.

Information Technology Revolving Fund provides data processing services to other State departments or agencies.

Other Internal Service Funds are aggregated for reporting purposes and account for other miscellaneous activities that meet the definition of Internal Service Funds.

STATE OF IOWA

Combining Statement of Net Assets
Internal Service Funds

June 30, 2010
(Expressed in Thousands)

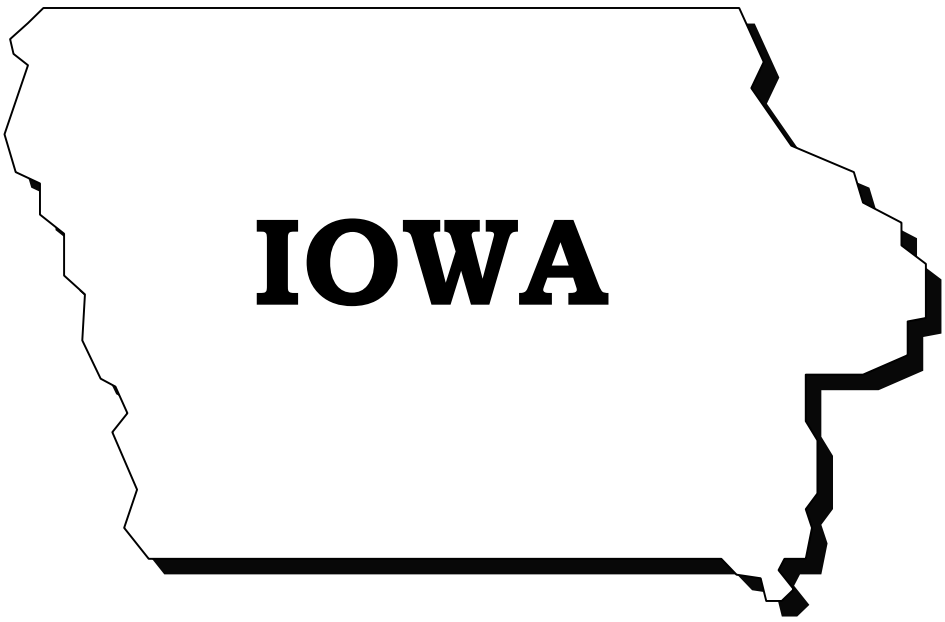
	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 2,064	$ 4,965	$ 6,891	$ 7,216	$ 13,129	$ 34,265
Accounts receivable (net)	99	86	-	3	738	926
Due from other funds/advances to other funds	45,468	2,269	4,140	3,073	12,498	67,448
Inventory	-	6,766	-	39	1,814	8,619
Prepaid expenses	-	-	-	1,098	955	2,053
Total current assets	47,631	14,086	11,031	11,429	29,134	113,311
Noncurrent assets:						
Capital assets - depreciable (net)	-	88,802	-	2,789	3,517	95,108
TOTAL ASSETS	**47,631**	**102,888**	**11,031**	**14,218**	**32,651**	**208,419**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	20,147	3,154	-	957	4,106	28,364
Due to other funds/advances from other funds	-	18	93	1,468	9,183	10,762
Unearned revenue	-	-	7,023	-	-	7,023
Compensated absences	-	372	-	933	1,413	2,718
Total current liabilities	20,147	3,544	7,116	3,358	14,702	48,867
Noncurrent liabilities:						
Accounts payable & accruals	27,484	684	-	1,188	1,936	31,292
Compensated absences	-	676	-	773	1,204	2,653
Total noncurrent liabilities	27,484	1,360	-	1,961	3,140	33,945
TOTAL LIABILITIES	**47,631**	**4,904**	**7,116**	**5,319**	**17,842**	**82,812**
NET ASSETS						
Invested in capital assets, net of related debt	-	88,802	-	2,789	3,517	95,108
Unrestricted	-	9,182	3,915	6,110	11,292	30,499
TOTAL NET ASSETS	**$ -**	**$ 97,984**	**$ 3,915**	**$ 8,899**	**$ 14,809**	**$ 125,607**

STATE OF IOWA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds

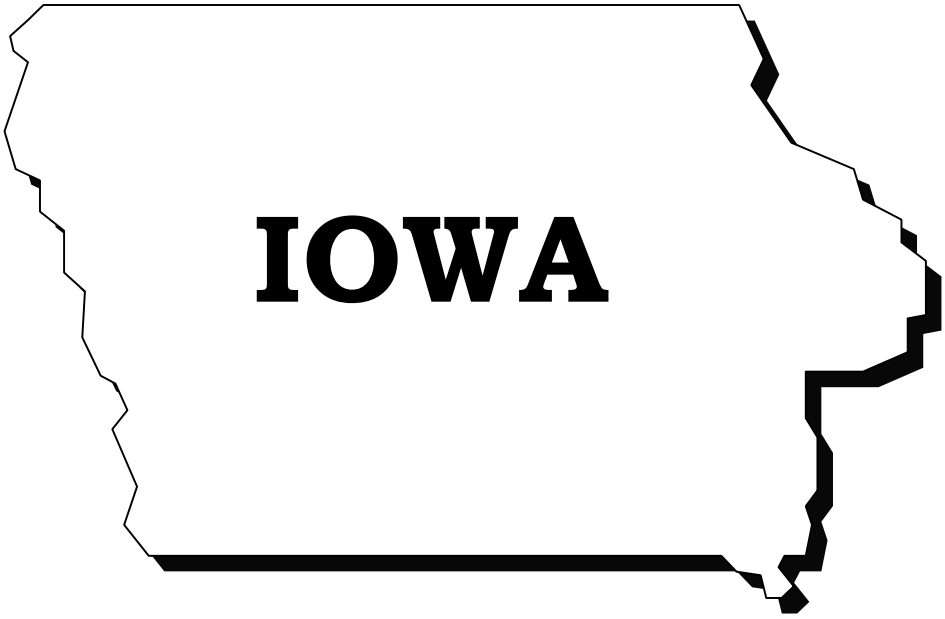
For the Year Ended June 30, 2010
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER	TOTAL
OPERATING REVENUES						
Receipts from other entities	$ 20,493	$ 3,004	$ 5,654	$ 33,307	$ 50,642	$ 113,100
Fees, licenses & permits	-	-	-	6	-	6
Refunds & reimbursements	368	64,118	46	69	1,079	65,680
Sales, rents & services	-	-	1,819	42	100	1,961
Miscellaneous	-	7,984	-	-	121	8,105
TOTAL OPERATING REVENUES	**20,861**	**75,106**	**7,519**	**33,424**	**51,942**	**188,852**
OPERATING EXPENSES						
Depreciation	-	13,568	-	1,025	823	15,416
Personal services	-	5,736	8	12,085	16,423	34,252
Travel & subsistence	-	11,739	2	4	8,123	19,868
Supplies & materials	-	35,672	1,906	1,037	15,318	53,933
Contractual services	2,349	2,249	290	15,639	6,739	27,266
Equipment & repairs	-	5,110	2,589	5,983	2,436	16,118
Claims & miscellaneous	18,512	14	-	10	1,046	19,582
Licenses, permits & refunds	-	11	265	-	11	287
TOTAL OPERATING EXPENSES	**20,861**	**74,099**	**5,060**	**35,783**	**50,919**	**186,722**
OPERATING INCOME (LOSS)	**-**	**1,007**	**2,459**	**(2,359)**	**1,023**	**2,130**
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	-	-	100	85	185
Interest expense	-	-	-	-	(155)	(155)
Gain on sale of capital assets	-	-	-	-	88	88
Loss on sale of capital assets	-	(83)	-	(31)	-	(114)
NET NONOPERATING REVENUES (EXPENSES)	**-**	**(83)**	**-**	**69**	**18**	**4**
CHANGE IN NET ASSETS	**-**	**924**	**2,459**	**(2,290)**	**1,041**	**2,134**
TOTAL NET ASSETS - JULY 1	**-**	**97,060**	**1,456**	**11,189**	**13,768**	**123,473**
TOTAL NET ASSETS - JUNE 30	**$ -**	**$ 97,984**	**$ 3,915**	**$ 8,899**	**$ 14,809**	**$ 125,607**


IOWA

STATE OF IOWA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2010
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from other entities	$ 368	$ 10,902	$ 1,893	$ 130	$ 1,463	$ 14,756
Cash received from reciprocal interfund activity	24,342	64,898	1,301	34,137	51,424	176,102
Cash payments to suppliers for goods & services	(23,761)	(42,182)	(3,616)	(21,857)	(33,751)	(125,167)
Cash payments to employees for services	-	(17,545)	(8)	(12,296)	(16,544)	(46,393)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**949**	**16,073**	**(430)**	**114**	**2,592**	**19,298**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interest payments	-	-	-	-	(155)	(155)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	**-**	**-**	**-**	**-**	**(155)**	**(155)**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	-	(20,284)	-	(444)	(977)	(21,705)
NET CASH USED BY CAPITAL & RELATED FINANCING ACTIVITIES	**-**	**(20,284)**	**-**	**(444)**	**(977)**	**(21,705)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	-	-	-	100	85	185
NET CASH PROVIDED BY INVESTING ACTIVITIES	**-**	**-**	**-**	**100**	**85**	**185**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**949**	**(4,211)**	**(430)**	**(230)**	**1,545**	**(2,377)**
CASH & CASH EQUIVALENTS - JULY 1	**1,115**	**9,176**	**7,321**	**7,446**	**11,584**	**36,642**
CASH & CASH EQUIVALENTS - JUNE 30	**$ 2,064**	**$ 4,965**	**$ 6,891**	**$ 7,216**	**$ 13,129**	**$ 34,265**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	$ -	$ 1,007	$ 2,459	$ (2,359)	$ 1,023	$ 2,130
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	13,568	-	1,025	823	15,416
(Increase) decrease in accounts receivable	(89)	(86)	74	13	163	75
(Increase) decrease in due from	3,974	775	(2,546)	862	1,665	4,730
(Increase) decrease in inventory	-	104	1,904	5	(300)	1,713
(Increase) decrease in prepaid expenses	-	-	-	199	(664)	(465)
Increase (decrease) in accounts payable	(2,900)	803	(468)	617	1,145	(803)
Increase (decrease) in due to	(36)	5	(289)	(30)	(883)	(1,233)
Increase (decrease) in unearned revenue	-	-	(1,564)	(2)	-	(1,566)
Increase (decrease) in compensated absences	-	(103)	-	(216)	(361)	(680)
Increase (decrease) in other liability	-	-	-	-	(19)	(19)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ 949**	**$ 16,073**	**$ (430)**	**$ 114**	**$ 2,592**	**$ 19,298**


IOWA

COMBINING FINANCIAL STATEMENTS

Pension and Other Employee Benefit Funds

Pension Funds account for transactions, assets, liabilities and net assets available for plan benefits of the various State employee retirement systems. See NOTE 16 - PENSION PLANS.

Insurance Fund receives converted sick leave dollars of Department of Public Safety retirees under the Peace Officers contract to pay health and/or life benefits.

SPOC Insurance Fund receives converted sick leave dollars of Department of Natural Resources retirees under the Peace Officers contract to pay health and/or life benefits.

STATE OF IOWA

Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Funds

June 30, 2010
(Expressed in Thousands)

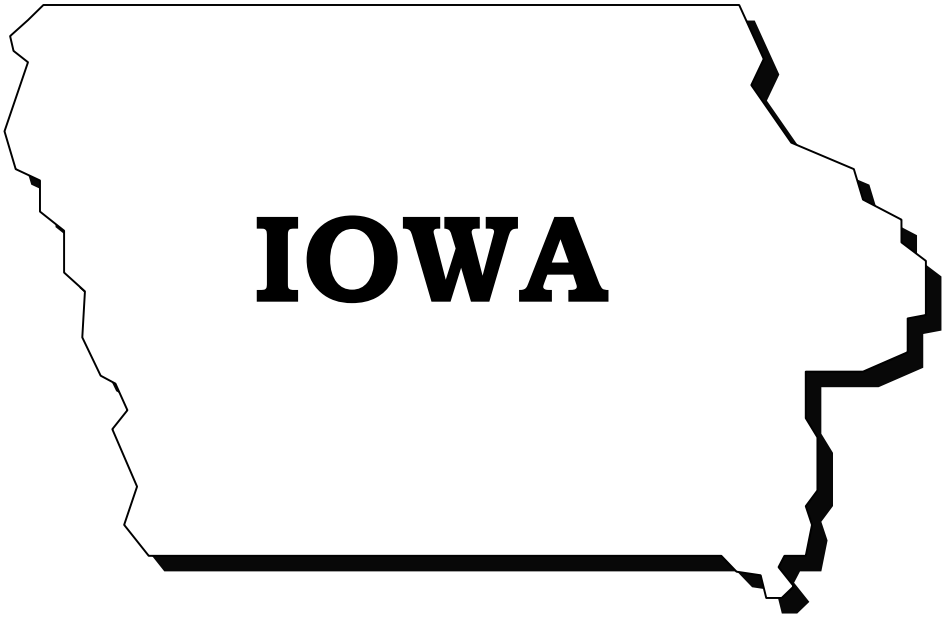
	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ASSETS						
Cash & cash equivalents	$ 313,875	$ 12,400	$ 8,351	$ 2	$ 3,279	$ 337,907
Receivables:						
Contributions	49,189	657	156	415	95	50,512
Investments sold	505,054	385	782	-	-	506,221
Foreign exchange contracts	3,139	-	-	-	-	3,139
Interest & dividends	61,928	946	-	-	-	62,874
Total receivables	619,310	1,988	938	415	95	622,746
Investments, at fair value:						
Fixed income securities	8,096,099	132,503	49,527	-	-	8,278,129
Equity investments	7,669,731	77,551	30,893	-	-	7,778,175
Real estate partnerships	1,544,706	10,472	3,086	-	-	1,558,264
Investment in private equity/ debt	2,521,313	-	-	-	-	2,521,313
Securities lending collateral pool	496,200	23,460	1,963	-	-	521,623
Securities on loan with brokers	-	22,606	1,911	-	-	24,517
Total investments	20,328,049	266,592	87,380	-	-	20,682,021
Capital assets:						
Land	500	-	-	-	-	500
Other - depreciable (net)	17,724	-	-	-	-	17,724
Total capital assets	18,224	-	-	-	-	18,224
Other assets	703	-	-	-	-	703
TOTAL ASSETS	**21,280,161**	**280,980**	**96,669**	**417**	**3,374**	**21,661,601**
LIABILITIES						
Accounts payable & accruals	19,035	303	174	-	1	19,513
Payable for investments purchased	861,222	343	3,210	-	-	864,775
Payable to brokers for rebate & collateral	521,824	23,460	1,963	-	-	547,247
TOTAL LIABILITIES	**1,402,081**	**24,106**	**5,347**	**-**	**1**	**1,431,535**
NET ASSETS						
Held in trust for pension/other postemployment benefits	$ 19,878,080	$ 256,874	$ 91,322	$ 417	$ 3,373	$ 20,230,066

STATE OF IOWA

Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Funds

For the Year Ended June 30, 2010
(Expressed in Thousands)

	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ADDITIONS						
Contributions:						
Member contributions	$ 293,472	$ 3,778	$ 2,222	$ 1,191	$ 1,072	$ 301,735
Employer contributions	449,124	8,499	7,806	-	-	465,429
Buy-back/buy-in contributions	12,614	-	-	4	-	12,618
Total contributions	755,210	12,277	10,028	1,195	1,072	779,782
Investment income:						
Net increase in fair value of investments	2,049,521	28,170	8,069	-	-	2,085,760
Interest	287,899	5,493	1,741	1	-	295,134
Dividends	58,676	880	531	-	-	60,087
Other	114,629	-	-	-	-	114,629
Total investment income	2,510,725	34,543	10,341	1	-	2,555,610
Less investment expense	32,902	1,559	367	-	-	34,828
Net investment income	2,477,823	32,984	9,974	1	-	2,520,782
TOTAL ADDITIONS	**3,233,033**	**45,261**	**20,002**	**1,196**	**1,072**	**3,300,564**
DEDUCTIONS						
Pension & annuity benefits	1,278,556	21,413	8,003	-	-	1,307,972
Payments in accordance with agreements	-	-	-	779	418	1,197
Administrative expense	8,968	162	9	-	-	9,139
Refunds	41,470	-	-	-	-	41,470
TOTAL DEDUCTIONS	**1,328,994**	**21,575**	**8,012**	**779**	**418**	**1,359,778**
CHANGE IN NET ASSETS	**1,904,039**	**23,686**	**11,990**	**417**	**654**	**1,940,786**
NET ASSETS - JULY 1	**17,974,041**	**233,188**	**79,332**	**-**	**2,719**	**18,289,280**
NET ASSETS - JUNE 30	**$ 19,878,080**	**$ 256,874**	**$ 91,322**	**$ 417**	**$ 3,373**	**$ 20,230,066**


IOWA

COMBINING FINANCIAL STATEMENTS

Private Purpose Trust Funds

Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Iowa Educational Savings Plan Trust receives contributions from participants for investment for future application towards payment of higher education costs for designated beneficiaries.

Veterans Affairs receives donations and fund raising receipts to be spent for the benefit of the Veteran residents.

Braille & Sight Saving School Fund receives donations and contributions to be spent for the benefit of the students.

Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) Fund accounts for receipts that are set aside for a scholarship program for students who were in the 7th grade in 2009.

Other Private Purpose Trust Funds aggregates the Health Organization Insolvency Fund that received a nonrefundable remittance to cover administration costs if a Health Maintenance Organization (HMO) or Limited Service Organization (LSO) declares bankruptcy and the Wagner Award Fund that received a bequest by Ruth Wagner to present an annual recognition to the outstanding soil district commissioner who is 40 years or younger to be presented each year at the annual state conference.

STATE OF IOWA

Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds

June 30, 2010
(Expressed in Thousands)

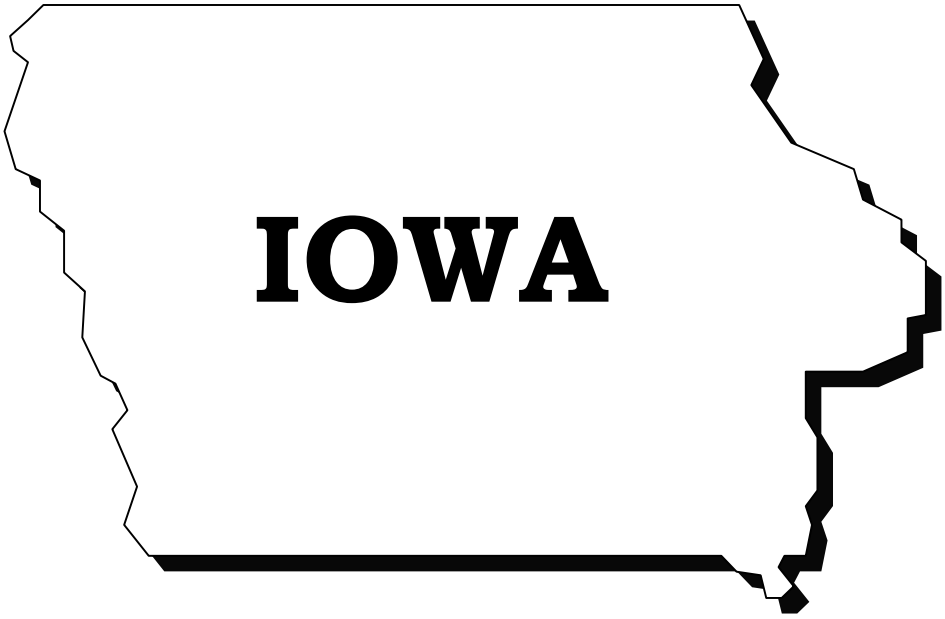
	IOWA EDUCATIONAL SAVINGS PLAN TRUST	VETERANS AFFAIRS	BRAILLE & SIGHT SAVING SCHOOL FUND	GEAR-UP FUND	OTHER	TOTAL
ASSETS						
Cash	$ 1,771	$ 481	$ -	$ -	$ 254	$ 2,506
Accounts receivable (net)	-	1	-	1,120	-	1,121
Investments	2,218,143	-	610	3,205	-	2,221,958
Capital assets - depreciable (net)	10	81	-	-	-	91
Prepaid expenses	8	-	-	-	-	8
Inventory	-	10	-	-	-	10
TOTAL ASSETS	**2,219,932**	**573**	**610**	**4,325**	**254**	**2,225,694**
LIABILITIES						
Accounts payable & accruals	73	28	116	-	-	217
NET ASSETS						
Held in trust for other purposes	$ 2,219,859	$ 545	$ 494	$ 4,325	$ 254	$ 2,225,477

STATE OF IOWA

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds

For the Year Ended June 30, 2010
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	VETERANS AFFAIRS	BRAILLE & SIGHT SAVING SCHOOL FUND	GEAR-UP FUND	OTHER	TOTAL
ADDITIONS						
Contributions:						
Participant contributions	$ 291,669	$ 90	$ -	$ -	$ -	$ 291,759
Other contributions	21	-	-	1,500	10	1,531
Gifts, bequests & endowments	-	349	-	-	-	349
Total contributions	291,690	439	-	1,500	10	293,639
Investment income (loss):						
Net increase (decrease) in fair value of investments	209,213	-	13	(3)	-	209,223
Interest	2	3	36	29	-	70
Total investment income	209,215	3	49	26	-	209,293
TOTAL ADDITIONS	**500,905**	**442**	**49**	**1,526**	**10**	**502,932**
DEDUCTIONS						
Distributions to participants	133,308	-	-	-	-	133,308
Other	746	270	46	1	-	1,063
TOTAL DEDUCTIONS	**134,054**	**270**	**46**	**1**	**-**	**134,371**
CHANGE IN NET ASSETS	**366,851**	**172**	**3**	**1,525**	**10**	**368,561**
NET ASSETS - JULY 1, RESTATED	**1,853,008**	**373**	**491**	**2,800**	**244**	**1,856,916**
NET ASSETS - JUNE 30	**$ 2,219,859**	**$ 545**	**$ 494**	**$ 4,325**	**$ 254**	**$ 2,225,477**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COMBINING FINANCIAL STATEMENTS

Agency Funds

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or organizations.

Local Sales & Services Tax Fund is used to account for local option sales taxes collected by retailers and deposited with the State. The taxes are then distributed back to the counties which have jurisdictions imposing local option sales tax.

Centralized Payroll Trustee Fund is used to account for accumulation of all voluntary and discretionary payroll deductions from the centralized payroll process.

Judicial - Clerks of District Court act as a collecting agency for many fees and taxes that are then distributed to the proper local government or recipient.

School District Surtax Clearing Fund collects and distributes surtax to the school districts according to the surtax formula set by the districts.

Other Agency Funds are aggregated for reporting purposes and represent amounts held for inmates and residents of State institutions, miscellaneous clearing accounts and other deposits.

STATE OF IOWA

Combining Statement of Fiduciary Net Assets
Agency Funds

June 30, 2010
(Expressed in Thousands)

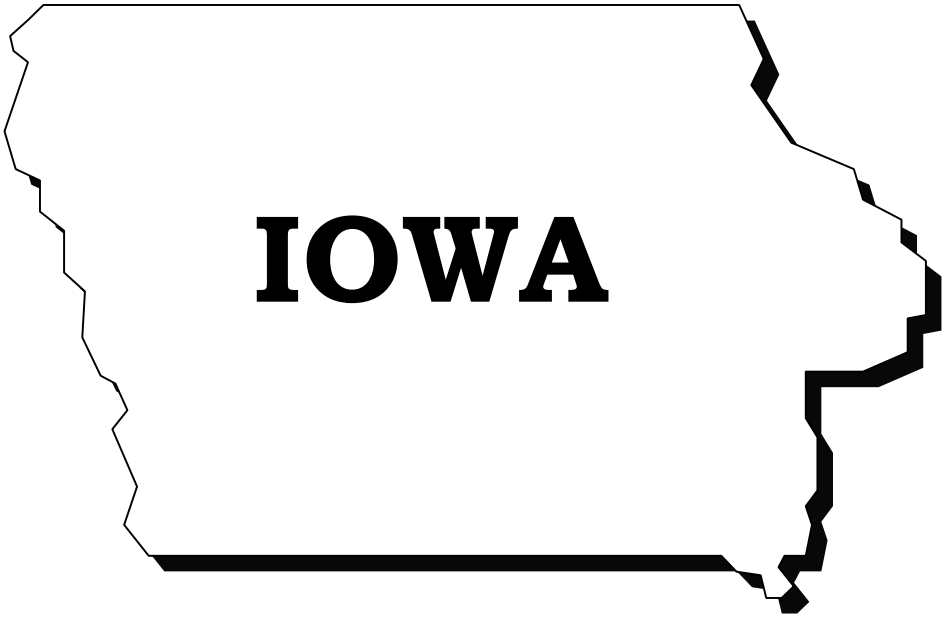
	LOCAL SALES & SERVICES TAX FUND	CENTRALIZED PAYROLL TRUSTEE FUND	JUDICIAL - CLERKS OF DISTRICT COURT	SCHOOL DISTRICT SURTAX CLEARING FUND	OTHER	TOTAL
ASSETS						
Cash	$ 36,981	$ 22,244	$ 23,847	$ 84,413	$ 53,393	$ 220,878
Accounts receivable (net)	108,420	1,125	-	4,290	55,261	169,096
TOTAL ASSETS	**$ 145,401**	**$ 23,369**	**$ 23,847**	**$ 88,703**	**$ 108,654**	**$ 389,974**
LIABILITIES						
Accounts payable & accruals	$ 145,401	$ 23,369	$ 23,847	$ 88,703	$ 108,654	$ 389,974
TOTAL LIABILITIES	**$ 145,401**	**$ 23,369**	**$ 23,847**	**$ 88,703**	**$ 108,654**	**$ 389,974**

STATE OF IOWA

Combining Statement of Changes in Assets and Liabilities
Agency Funds

For the Year Ended June 30, 2010
(Expressed in Thousands)

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
LOCAL SALES & SERVICES TAX FUND				
ASSETS				
Cash	$ 41,325	$ 650,839	$ 655,183	$ 36,981
Accounts receivable	79,357	108,420	79,357	108,420
TOTAL ASSETS	$ 120,682	$ 759,259	$ 734,540	$ 145,401
LIABILITIES				
Accounts payable & accruals	$ 120,682	$ 759,259	$ 734,540	$ 145,401
CENTRALIZED PAYROLL TRUSTEE FUND				
ASSETS				
Cash	$ 23,237	$ 795,507	$ 796,500	$ 22,244
Accounts receivable	471	1,125	471	1,125
TOTAL ASSETS	$ 23,708	$ 796,632	$ 796,971	$ 23,369
LIABILITIES				
Accounts payable & accruals	$ 23,708	$ 796,632	$ 796,971	$ 23,369
JUDICIAL - CLERKS OF DISTRICT COURT				
ASSETS				
Cash	$ 20,139	$ 282,302	$ 278,594	$ 23,847
LIABILITIES				
Accounts payable & accruals	$ 20,139	$ 282,302	$ 278,594	$ 23,847
SCHOOL DISTRICT SURTAX CLEARING FUND				
ASSETS				
Cash	$ 81,929	$ 98,995	$ 96,511	$ 84,413
Accounts receivable	10,610	4,290	10,610	4,290
TOTAL ASSETS	$ 92,539	$ 103,285	$ 107,121	$ 88,703
LIABILITIES				
Accounts payable & accruals	$ 92,539	$ 103,285	$ 107,121	$ 88,703
OTHER				
ASSETS				
Cash	$ 39,360	$ 1,261,920	$ 1,247,887	$ 53,393
Accounts receivable	59,516	55,274	59,529	55,261
TOTAL ASSETS	$ 98,876	$ 1,317,194	$ 1,307,416	$ 108,654
LIABILITIES				
Accounts payable & accruals	$ 98,876	$ 1,317,194	$ 1,307,416	$ 108,654
TOTAL				
ASSETS				
Cash	$ 205,990	$ 3,089,563	$ 3,074,675	$ 220,878
Accounts receivable	149,954	169,109	149,967	169,096
TOTAL ASSETS	$ 355,944	$ 3,258,672	$ 3,224,642	$ 389,974
LIABILITIES				
Accounts payable & accruals	$ 355,944	$ 3,258,672	$ 3,224,642	$ 389,974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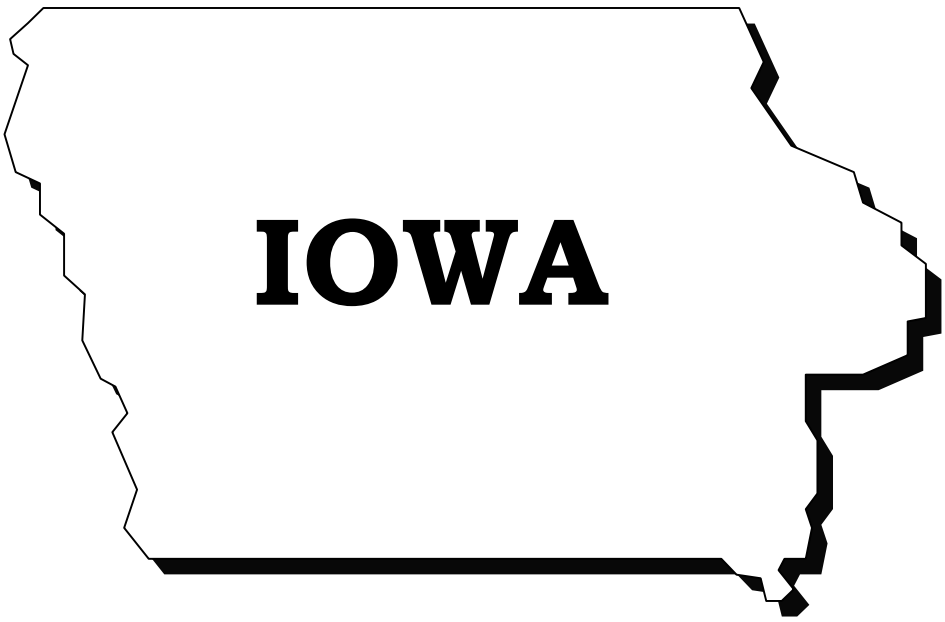
STATISTICAL SECTION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STATE OF IOWA

STATISTICAL SECTION
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This part of the State of Iowa's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

	Schedule
Financial Trends These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	**1 - 4**
Revenue Capacity These schedules contain information to help the reader assess the State's most significant revenue source, individual income tax.	**5 - 7**
Debt Capacity These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	**8 - 9**
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	**10 - 11**
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs. A schedule of current expenditures is also included.	**12 - 15**

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The State of Iowa implemented GASB Statement 34 in 2002 and began presenting government-wide information that year.

STATE OF IOWA

Net Assets by Component **Schedule 1**

For the Last Nine Fiscal Years

(Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year								
	2002	**2003***	**2004**	**2005**	**2006**	**2007**	**2008****	**2009*****	**2010**
Governmental activities									
Invested in capital assets, net of related debt	$ 5,127,823	$ 5,370,928	$ 5,465,035	$ 5,681,408	$ 5,878,568	$ 6,071,498	$ 6,193,796	$ 6,489,500	$ 6,880,376
Restricted	1,255,497	1,373,913	1,382,417	1,209,109	1,190,851	954,614	1,096,738	981,399	1,201,278
Unrestricted	532,098	(257,172)	(52,741)	133,884	282,317	612,506	490,372	145,222	(86,726)
Total governmental activities net assets	$ 6,915,418	$ 6,487,669	$ 6,794,711	$ 7,024,401	$ 7,351,736	$ 7,638,618	$ 7,780,906	$ 7,616,121	$ 7,994,928
Business-type activities									
Invested in capital assets, net of related debt	$ 1,324,407	$ 1,528,930	$ 1,621,420	$ 1,783,485	$ 1,874,011	$ 1,962,371	$ 1,997,070	$ 2,234,564	$ 2,270,200
Restricted	1,212,368	1,123,665	1,181,164	1,221,333	1,353,063	1,377,602	1,490,766	1,286,727	991,124
Unrestricted	199,143	804,879	748,682	761,180	785,313	965,010	1,073,688	968,103	1,349,811
Total business-type activities net assets	$ 2,735,918	$ 3,457,474	$ 3,551,266	$ 3,765,998	$ 4,012,387	$ 4,304,983	$ 4,561,524	$ 4,489,394	$ 4,611,135
Primary government									
Invested in capital assets, net of related debt	$ 6,452,230	$ 6,899,858	$ 7,086,455	$ 7,464,893	$ 7,752,579	$ 8,033,869	$ 8,190,866	$ 8,724,064	$ 9,150,576
Restricted	2,467,865	2,497,578	2,563,581	2,430,442	2,543,914	2,332,216	2,587,504	2,268,126	2,192,402
Unrestricted	731,241	547,707	695,941	895,064	1,067,630	1,577,516	1,564,060	1,113,325	1,263,085
Total primary government net assets	$ 9,651,336	$ 9,945,143	$ 10,345,977	$ 10,790,399	$ 11,364,123	$ 11,943,601	$ 12,342,430	$ 12,105,515	$ 12,606,063

* - Fiscal Year 2003 amounts reported include prior period adjustments made in 2004 for the reclassification of the Tobacco Settlement Authority from a business-type activity to a governmental activity of $560,865 and implementation of GASB Technical Bulletin 2004-1, Tobacco Settlement Recognition and Financial Reporting Entity Issues of $21,084.

** - Fiscal Year 2008 amounts reported include prior period adjustments made in 2009 to reflect the effect of reclassifications and misstatements of the Department of Natural Resources' capital assets totaling $9.9 million.

*** - Fiscal Year 2009 amounts reported include prior period adjustments made in 2010 to reflect the effect implementation of GASB 51 for intangible assets and reclassifications of investments at the Iowa Braille and Sight Saving School from a governmental activity to a fiduciary fund.

STATE OF IOWA

Changes in Net Assets **Schedule 2**

For the Last Nine Fiscal Years

(Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year								
	2002	2003*	2004	2005**	2006	2007	2008***	2009****	2010
Expenses									
Governmental activities:									
Administration & regulation	$ 1,191,738	$ 1,180,426	$ 972,615	$ 903,378	$ 924,171	$ 881,865	$ 900,181	$ 1,259,465	$ 1,289,713
Education	2,594,324	2,628,698	2,650,631	2,796,158	2,948,579	3,071,601	3,352,331	3,502,472	3,447,890
State aid to universities	675,077	681,288	635,488	-	-	-	-	-	-
Heath & human rights	283,079	306,181	317,842	337,542	367,579	368,342	405,459	450,955	485,902
Human services	3,449,997	3,396,213	3,429,548	3,633,297	3,927,888	3,882,041	4,283,160	4,651,972	4,953,873
Justice & public defense	623,406	631,182	663,134	693,606	756,968	822,676	945,438	1,209,839	1,178,089
Economic development	180,950	184,647	202,133	208,720	223,153	227,266	234,579	329,936	351,635
Transportation	758,876	819,532	906,054	918,557	930,333	954,278	959,598	1,084,299	1,239,669
Agriculture & natural resources	170,388	147,874	155,220	167,101	180,539	193,327	220,995	210,984	212,590
Interest expense	19,411	20,232	19,123	52,241	77,392	74,053	73,065	62,387	91,432
Total governmental activities expenses	9,947,246	9,996,273	9,951,788	9,710,600	10,336,602	10,475,449	11,374,806	12,762,309	13,250,793
Business-type activities:									
University Funds	2,459,133	2,424,292	2,643,969	2,656,318	2,850,291	2,942,220	3,155,027	3,401,126	3,341,877
Unemployment Benefits Fund	392,432	445,045	389,858	299,086	304,143	342,499	356,261	872,030	1,258,041
Tobacco Settlement Authority	25,044	-	-	-	-	-	-	-	-
Other	286,046	291,407	310,538	326,060	432,037	363,508	391,077	396,668	412,092
Total business-type activities expenses	3,162,655	3,160,744	3,344,365	3,281,464	3,586,471	3,648,227	3,902,365	4,669,824	5,012,010
Total primary government expenses	$ 13,109,901	$ 13,157,017	$ 13,296,153	$ 12,992,064	$ 13,923,073	$ 14,123,676	$ 15,277,171	$ 17,432,133	$ 18,262,803
Program revenues									
Governmental activities:									
Charges for services:									
Administration & regulation	$ 712,136	$ 772,439	$ 749,752	$ 698,923	$ 804,217	$ 765,932	$ 808,206	$ 1,069,214	$ 899,684
Education	22,499	35,511	26,038	26,118	23,117	39,402	47,201	45,794	54,219
Health & human rights	27,178	40,081	32,242	38,885	45,324	55,086	83,700	71,849	60,903
Human services	795,466	558,878	410,310	387,762	418,391	448,255	417,733	437,131	465,890
Justice & public defense	147,153	166,452	23,811	72,045	83,256	60,529	177,293	83,868	102,600
Economic development	4,462	3,153	1,121	3	2,715	2,519	7,125	5,012	3,423
Transportation	2,124	382	19,279	19,833	13,922	30,106	17,695	84,511	84,291
Agriculture & natural resources	57,002	68,464	60,744	65,227	60,128	78,306	72,564	78,697	86,086
Operating grants & contributions	3,046,000	3,195,989	3,314,471	3,391,654	3,699,313	3,247,773	3,471,494	4,345,320	5,309,366
Capital grants & contributions	8,908	6,463	4,287	5,316	4,245	283,759	230,585	385,478	590,926
Total governmental activities program revenues	4,822,928	4,847,812	4,642,055	4,705,766	5,154,628	5,011,667	5,333,596	6,606,874	7,657,388
Business-type activities:									
Charges for services:									
University Funds	1,335,483	1,449,643	1,583,183	1,642,343	1,786,355	1,690,465	1,800,897	1,993,932	2,064,853
Unemployment Benefits Fund	254,896	337,634	304,396	318,607	348,246	352,067	368,202	358,198	474,465
Tobacco Settlement Authority	49,633	-	-	-	-	-	-	-	-
Other	352,526	359,935	404,595	425,261	567,966	478,850	506,995	521,913	541,213
Operating grants & contributions	472,011	349,072	427,616	448,517	458,271	633,957	670,859	987,715	1,333,041
Capital grants & contributions	30,737	57,801	58,026	28,912	18,039	30,943	35,225	45,432	8,801
Total business-type activities program revenues	2,495,286	2,554,085	2,777,816	2,863,640	3,178,877	3,186,282	3,382,178	3,907,190	4,422,373
Total primary government program revenues	$ 7,318,214	$ 7,401,897	$ 7,419,871	$ 7,569,406	$ 8,333,505	$ 8,197,949	$ 8,715,774	$ 10,514,064	$ 12,079,761
Net expense									
Governmental activities	$ (5,124,318)	$ (5,148,461)	$ (5,309,733)	$ (5,004,834)	$ (5,181,974)	$ (5,463,782)	$ (6,041,210)	$ (6,155,435)	$ (5,593,405)
Business-type activities	(667,369)	(606,659)	(566,549)	(417,824)	(407,594)	(461,945)	(520,187)	(762,634)	(589,637)
Total primary government net expense	$ (5,791,687)	$ (5,755,120)	$ (5,876,282)	$ (5,422,658)	$ (5,589,568)	$ (5,925,727)	$ (6,561,397)	$ (6,918,069)	$ (6,183,042)

(continued on next page)

STATE OF IOWA

Changes in Net Assets **Schedule 2**

For the Last Nine Fiscal Years

(Accrual Basis of Accounting Expressed in Thousands)

(continued)

	Fiscal Year								
	2002	**2003***	**2004**	**2005****	**2006**	**2007**	**2008*****	**2009******	**2010**
General revenues and other changes in net assets									
Governmental activities:									
Personal income tax	$ 1,889,922	$ 1,922,316	$ 2,090,712	$ 2,263,561	$ 2,430,981	$ 2,673,861	$ 2,866,774	$ 2,716,655	$ 2,637,753
Corporate income tax	111,724	148,214	97,769	176,997	283,112	322,315	347,833	258,115	196,723
Sales & use tax	1,686,384	1,635,551	1,688,943	1,761,195	1,866,864	1,878,500	1,966,871	2,094,893	2,232,711
Other tax	598,222	563,751	598,165	596,707	592,888	641,206	783,814	743,231	710,946
Motor fuel tax restricted for transportation purposes	457,989	464,069	435,358	482,194	440,652	446,607	443,997	436,732	436,567
Road use tax restricted for transportation purposes	255,749	246,238	252,269	252,599	247,125	248,959	257,523	256,554	254,016
Unrestricted investment earnings	97,704	65,852	62,086	72,166	98,269	146,669	114,987	66,159	25,738
Other	73,539	140,672	166,328	129,486	29,810	25,807	32,492	30,476	31,571
Gain/(loss) on sale of assets	856	(1,685)	671	972	-	-	571	804	842
Contribution to Permanent Fund principal	1,450	27	12	62	262	55	4,031	-	-
Transfers	666,765	112,474	122,096	(501,415)	(480,654)	(549,206)	(598,789)	(612,520)	(554,656)
Special item - gaming tax liability settlement	-	-	102,366	-	-	-	-	-	-
Total governmental activities	$ 5,840,304	$ 5,297,479	$ 5,616,775	$ 5,234,524	$ 5,509,309	$ 5,834,773	$ 6,220,104	$ 5,991,099	$ 5,972,211
Business-type activities:									
Other taxes	$ 8,757	$ 10,258	$ -	$ -	$ 7,300	$ 5,909	$ 6,551	$ 5,688	$ 6,459
Unrestricted investment earnings	66,294	95,215	88,881	88,036	93,651	159,246	69,378	(25,411)	115,519
Other	195,627	78,133	58,061	43,102	68,209	40,162	46,919	94,068	50,678
Gain/(loss) on sale of assets	(7,491)	(11,264)	7	3	4,169	18	7	75	101
State aid to universities	675,077	681,288	635,488	-	-	-	-	-	-
Contribution to University Endowments	-	-	-	-	-	-	-	404	(250)
Extraordinary item - impairment of assets and other	-	-	-	-	-	-	55,084	3,160	(15,785)
Transfers	(666,765)	(112,474)	(122,096)	501,415	480,654	549,206	598,789	612,520	554,656
Total business-type activities	$ 271,499	$ 741,156	$ 660,341	$ 632,556	$ 653,983	$ 754,541	$ 776,728	$ 690,504	$ 711,378
Change in net assets									
Governmental activities	$ 715,986	$ 149,018	$ 307,042	$ 229,690	$ 327,335	$ 370,991	$ 178,894	$ (164,336)	$ 378,806
Business-type activities	(395,870)	134,497	93,792	214,732	246,389	292,596	256,541	(72,130)	121,741
Total primary government	$ 320,116	$ 283,515	$ 400,834	$ 444,422	$ 573,724	$ 663,587	$ 435,435	$ (236,466)	$ 500,547

* - Fiscal Year 2003 amounts reported include prior period adjustments made in 2004 for the reclassification of the Tobacco Settlement Authority from a business-type activity to a governmental activity and implementation of GASB Technical Bulletin 2004-1, Tobacco Settlement Recognition and Financial Reporting Entity Issues.

** - Beginning in Fiscal Year 2005, state aid to universities is classified as transfers.

*** - Fiscal Year 2008 amounts reported include prior period adjustments made in 2009 to reflect the effect of reclassifications and misstatements of the Department of Natural Resources' capital assets totaling $9.9 million.

**** - Fiscal Year 2009 amounts reported include prior period adjustments made in 2010 to reflect the effect of the implementation of GASB 51 for intangible assets and reclassifications of investments at the Iowa Braille ans Sight Saving School from a governmental activity to a fiduciary fund.

STATE OF IOWA

Fund Balances of Governmental Funds **Schedule 3**

For the Last Nine Fiscal Years

(Modified Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year								
	2002	**2003***	**2004**	**2005**	**2006**	**2007**	**2008**	**2009*****	**2010**
General Fund									
Reserved	$ 1,409,695	$ 1,478,105	$ 1,431,087	$ 1,364,588	$ 1,202,023	$ 1,000,811	$ 1,178,178	$ 1,121,132	$ 1,516,101
Unreserved	316,767	180,780	445,627	559,864	897,708	1,052,537	1,118,497	802,767	915,155
Total General Fund	$ 1,726,462	$ 1,658,885	$ 1,876,714	$ 1,924,452	$ 2,099,731	$ 2,053,348	$ 2,296,675	$ 1,923,899	$ 2,431,256
All other governmental funds									
Reserved	$ 533,606	$ 474,011	$ 377,317	$ 305,386	$ 419,404	$ 305,336	$ 927,732 **	$ 820,497 **	$ 779,242 **
Unreserved, reported in:									
Special revenue funds	31,584	74,762	97,916	83,978	62,224	48,907	(633,676) **	(584,829) **	(539,367) **
Capital projects funds	3,101	1,163	2,890	4,010	2,056	98,015	82,668	52,417	21,756
Total all other governmental funds	$ 568,291	$ 549,936	$ 478,123	$ 393,374	$ 483,684	$ 452,258	$ 376,724	$ 288,085	$ 261,631

* - Fiscal Year 2003 amounts reported include prior period adjustments made in 2004 for the reclassification of the Tobacco Settlement Authority from a business-type activity to a governmental fund type of $69,442.

** - Due to the implementation of GASB No. 48, interfund advances were recorded in the Tobacco Settlement Authority and Tobacco Collections funds.

*** - Fiscal Year 2009 amounts reported include prior period adjustments made in 2010 to reflect the effect of reclassifications of investments at the Iowa Braille and Sight Saving School from a governmental activity to a fiduciary fund.

STATE OF IOWA

Changes in Fund Balances of Governmental Funds **Schedule 4**

For the Last Ten Fiscal Years

(Modified Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Revenues										
Taxes	$ 5,679,340	$ 5,646,505	$ 5,624,307	$ 5,939,586	$ 6,285,430	$ 6,491,259	$ 6,867,216	$ 7,386,422	$ 7,333,205	$ 7,089,985
Receipts from other entities	2,774,345	3,257,685	3,461,978	3,591,798	3,585,177	3,973,158	3,522,809	4,193,259	5,126,503	6,075,993
Investment income	118,650	97,054	63,133	62,235	71,879	97,418	145,561	118,360	66,294	26,440
Fees, licenses & permits	530,202	554,847	575,901	615,684	639,681	651,726	680,615	690,211	978,396	1,077,664
Refunds & reimbursements	242,693	949,930	778,389	435,380	349,684	466,900	411,734	431,503	474,081	465,296
Sales, rents & services	17,845	27,383	26,093	30,954	28,735	27,714	28,589	29,143	29,925	34,620
Miscellaneous	104,559	141,491	158,192	193,171	206,371	119,906	120,677	117,568	93,961	118,496
Contributions	-	1,450	26	12	62	265	156	48	1,008	55
Gross revenues	9,467,634	10,676,345	10,688,019	10,868,820	11,167,019	11,828,346	11,777,357	12,966,514	14,103,373	14,888,549
Less revenue refunds	619,317	743,777	726,338	793,070	776,354	675,709	686,423	762,926	883,633	954,852
Total revenues	8,848,317	9,932,568	9,961,681	10,075,750	10,390,665	11,152,637	11,090,934	12,203,588	13,219,740	13,933,697
Expenditures										
Administration & regulation	-	1,136,471	1,225,770	974,624	875,086	909,321	863,429	889,445	1,244,250	1,272,714
General government & regulation	958,734	-	-	-	-	-	-	-	-	-
Education	2,572,970	2,610,508	2,630,481	2,650,005	2,790,597	2,940,726	3,068,629	3,341,479	3,492,860	3,434,673
Health & human rights	-	282,234	300,504	311,742	332,790	360,180	357,830	389,209	443,841	472,212
Human services	-	3,439,265	3,383,339	3,417,491	3,622,977	3,919,831	3,864,673	4,240,263	4,626,097	4,897,794
Health & human services	2,920,150	-	-	-	-	-	-	-	-	-
Justice & public defense	-	636,188	639,298	629,246	653,683	700,362	771,562	870,244	1,144,444	1,107,809
Law, justice & public safety	633,205	-	-	-	-	-	-	-	-	-
Economic development	188,226	177,567	184,017	196,917	204,048	217,701	221,567	220,313	335,429	343,857
Transportation	988,743	1,012,886	1,022,586	348,494	381,706	382,576	458,950	416,388	471,563	550,192
Agriculture & natural resources	156,111	170,606	149,625	140,581	150,108	161,172	172,948	181,518	199,639	189,349
Capital outlay	28,827	26,891	14,663	749,346	828,998	878,185	800,188	769,202	1,029,341	1,161,197
Debt service:										
Principal	-	-	-	-	25,181	23,435	28,025	69,575	36,335	29,090
Interest & fiscal charges	-	-	-	-	52,899	54,867	53,194	58,621	59,146	86,108
Total expenditures	8,446,966	9,492,616	9,550,283	9,418,446	9,918,073	10,548,356	10,660,995	11,446,257	13,082,945	13,544,995
Excess of revenues over expenditures	401,351	439,952	411,398	657,304	472,592	604,281	429,939	757,331	136,795	388,702
Other financing sources (uses)										
Transfers in	149,420	1,412,381	272,192	289,009	264,968	453,815	323,251	533,885	538,129	453,354
Transfers out	(805,616)	(1,423,853)	(840,144)	(801,306)	(768,683)	(936,073)	(869,369)	(1,124,271)	(1,136,203)	(1,004,231)
Leases, installment purchases & other	6,827	1,555	1,180	1,009	1,115	530	4,730	848	313	2,340
Debt issued	-	245,500	-	-	-	-	33,370	-	-	613,710
Premium (discount) on bonds	-	17,510	-	-	-	(555,554)	270	-	-	27,027
Refunding debt issued	-	55,130	-	-	20,799	1,365,435	-	-	-	-
Payments to refund debt	-	-	-	-	(20,550)	-	-	-	-	-
Payment to refunding escrow agent	-	(57,969)	-	-	-	(666,845)	-	-	-	-
Total other financing sources (uses)	(649,369)	250,254	(566,772)	(511,288)	(502,351)	(338,692)	(507,748)	(589,538)	(597,761)	92,200
Net change in fund balances	$ (248,018)	$ 690,206	$ (155,374)	$ 146,016	$ (29,759)	$ 265,589	$ (77,809)	$ 167,793	$ (460,966)	$ 480,902
Debt service as a percentage of noncapital expenditures	N/A	N/A	N/A	N/A	<1%	<1%	<1%	1.2%	<1%	0.9%

FY 2001

Transfers to universities are reclassified as transfers out.

Transfers in includes transfers from component units.

FY 2001-2004

Capital outlays were presented by function.

Expenditures by function included debt service payments.

STATE OF IOWA

Tax Revenue by Source - Governmental Funds **Schedule 5**

For the Last Ten Fiscal Years

(Modified Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Individual income tax	$ 2,549,297	$ 2,381,482	$ 2,424,011	$ 2,609,843	$ 2,799,745	$ 2,876,413	$ 3,109,609	$ 3,366,344	$ 3,320,295	$ 3,236,054
Sales tax	1,319,878	1,460,404	1,434,033	1,475,261	1,498,893	1,600,799	1,590,238	1,639,885	2,002,262	1,910,962
Use tax	502,803	514,242	516,400	539,071	578,255	557,841	587,009	630,184	374,686	371,195
Fuel tax	449,032	457,489	463,703	476,985	528,208	490,470	500,531	497,613	487,265	482,417
Corporate tax	276,947	234,354	221,367	239,569	281,101	370,333	436,060	464,907	408,578	373,416
Inheritance tax	108,515	94,746	85,124	82,431	77,003	71,640	77,750	79,783	72,562	68,358
Insurance premium tax	126,402	135,582	140,939	139,275	131,183	121,428	105,223	111,647	90,035	88,571
Cigarette & tobacco tax	96,295	95,089	95,758	95,085	96,077	98,936	135,207	251,584	238,153	232,573
Wagering tax	190,397	209,319	182,201	219,461	238,065	249,183	272,210	287,247	282,545	272,361
Franchise tax	31,842	31,379	35,253	36,292	36,593	35,007	33,601	36,813	33,271	31,564
Beer tax	13,478	13,774	13,961	14,104	14,070	14,277	14,264	14,454	14,717	14,503
Other	14,454	18,645	11,557	12,209	6,237	4,932	5,514	5,961	8,835	8,011
Gross taxes	5,679,340	5,646,505	5,624,307	5,939,586	6,285,430	6,491,259	6,867,216	7,386,422	7,333,204	7,089,985
Less refunds	552,093	662,872	647,825	712,737	689,874	576,733	588,552	663,997	786,757	858,281
Net taxes	$ 5,127,247	$ 4,983,633	$ 4,976,482	$ 5,226,849	$ 5,595,556	$ 5,914,526	$ 6,278,664	$ 6,722,425	$ 6,546,447	$ 6,231,704

Source: State Accounting System.

STATE OF IOWA

Individual Income Tax Returns Filed and Tax Rates **Schedule 6**

For the Last Ten Calendar Years

Tax Year 2000	
Net Taxable Income	**Number of Returns**
No AGI	23,269
$1 - 9,999	402,339
$10,000 - 19,999	403,108
$20,000 - 29,999	370,609
$30,000 - 39,999	253,816
$40,000 - 49,999	143,177
$50,000 - 74,999	137,097
$75,000 - 99,999	41,763
$100,000 & above	60,318
	1,835,496

Net Taxable Income	Tax Rate*
$0 - $1,162	0.36%
$1,162 - 2,324	0.72%
$2,324 - 4,648	2.43%
$4,648 - 10,458	4.50%
$10,458 - 17,430	6.12%
$17,430 - 23,240	6.48%
$23,240 - 34,860	6.80%
$34,860 - 52,290	7.92%
$52,290 & above	8.98%

Tax Year 2001	
Net Taxable Income	**Number of Returns**
No AGI	30,045
$1 - 9,999	397,180
$10,000 - 19,999	388,796
$20,000 - 29,999	366,898
$30,000 - 39,999	258,425
$40,000 - 49,999	147,292
$50,000 - 74,999	138,318
$75,000 - 99,999	41,307
$100,000 & above	56,327
	1,824,588

Net Taxable Income	Tax Rate*
$0 - $1,185	0.36%
$1,185 - 2,370	0.72%
$2,370 - 4,740	2.43%
$4,740 - 10,665	4.50%
$10,665 - 17,775	6.12%
$17,775 - 23,700	6.48%
$23,700 - 35,550	6.80%
$35,550 - 53,325	7.92%
$53,325 & above	8.98%

Tax Year 2002	
Net Taxable Income	**Number of Returns**
No AGI	36,370
$1 - 9,999	389,157
$10,000 - 19,999	375,313
$20,000 - 29,999	355,237
$30,000 - 39,999	257,473
$40,000 - 49,999	149,414
$50,000 - 74,999	140,422
$75,000 - 99,999	41,334
$100,000 & above	55,303
	1,800,023

Net Taxable Income	Tax Rate*
$0 - $1,211	0.36%
$1,211 - 2,422	0.72%
$2,422 - 4,844	2.43%
$4,844 - 10,899	4.50%
$10,899 - 18,165	6.12%
$18,165 - 24,220	6.48%
$24,220 - 36,330	6.80%
$36,330 - 54,495	7.92%
$54,495 & above	8.98%

Tax Year 2003	
Net Taxable Income	**Number of Returns**
No AGI	38,805
$1 - 9,999	385,654
$10,000 - 19,999	364,171
$20,000 - 29,999	347,099
$30,000 - 39,999	259,677
$40,000 - 49,999	155,553
$50,000 - 74,999	149,518
$75,000 - 99,999	45,499
$100,000 & above	60,932
	1,806,908

Net Taxable Income	Tax Rate*
$0 - $1,224	0.36%
$1,224 - 2,448	0.72%
$2,448 - 4,896	2.43%
$4,896 - 11,016	4.50%
$11,016 - 18,360	6.12%
$18,360 - 24,480	6.48%
$24,480 - 36,720	6.80%
$36,720 - 55,080	7.92%
$55,080 & above	8.98%

Tax Year 2004	
Net Taxable Income	**Number of Returns**
No AGI	40,314
$1 - 9,999	381,662
$10,000 - 19,999	354,752
$20,000 - 29,999	340,049
$30,000 - 39,999	265,364
$40,000 - 49,999	166,811
$50,000 - 74,999	166,307
$75,000 - 99,999	51,862
$100,000 & above	68,620
	1,835,741

Net Taxable Income	Tax Rate*
$0 - $1,242	0.36%
$1,242 - 2,484	0.72%
$2,484 - 4,968	2.43%
$4,968 - 11,178	4.50%
$11,178 - 18,630	6.12%
$18,630 - 24,840	6.48%
$24,840 - 37,260	6.80%
$37,260 - 55,890	7.92%
$55,890 & above	8.98%

Tax Year 2005	
Net Taxable Income	**Number of Returns**
No AGI	39,556
$1 - 9,999	372,761
$10,000 - 19,999	350,536
$20,000 - 29,999	338,342
$30,000 - 39,999	270,292
$40,000 - 49,999	176,395
$50,000 - 74,999	179,890
$75,000 - 99,999	57,841
$100,000 & above	79,060
	1,864,673

Net Taxable Income	Tax Rate*
$0 - $1,269	0.36%
$1,269 - 2,538	0.72%
$2,538 - 5,076	2.43%
$5,076 - 11,421	4.50%
$11,421 - 19,035	6.12%
$19,035 - 25,380	6.48%
$25,380 - 38,070	6.80%
$38,070 - 57,105	7.92%
$57,105 & above	8.98%

Tax Year 2006	
Net Taxable Income	**Number of Returns**
No AGI	39,558
$1 - 9,999	362,337
$10,000 - 19,999	343,506
$20,000 - 29,999	337,101
$30,000 - 39,999	277,113
$40,000 - 49,999	185,575
$50,000 - 74,999	199,518
$75,000 - 99,999	66,119
$100,000 & above	90,788
	1,901,615

Net Taxable Income	Tax Rate*
$0 - $1,300	0.36%
$1,300 - 2,600	0.72%
$2,600 - 5,200	2.43%
$5,200 - 11,700	4.50%
$11,700 - 19,500	6.12%
$19,500 - 26,000	6.48%
$26,000 - 39,000	6.80%
$39,000 - 58,500	7.92%
$58,500 & above	8.98%

Tax Year 2007	
Net Taxable Income	**Number of Returns**
No AGI	42,488
$1 - 9,999	368,519
$10,000 - 19,999	344,833
$20,000 - 29,999	337,340
$30,000 - 39,999	282,702
$40,000 - 49,999	196,874
$50,000 - 74,999	221,027
$75,000 - 99,999	74,841
$100,000 & above	103,651
	1,972,275

Net Taxable Income	Tax Rate*
$0 - $1,343	0.36%
$1,343 - 2,686	0.72%
$2,686 - 5,372	2.43%
$5,372 - 12,087	4.50%
$12,087 - 20,145	6.12%
$20,145 - 26,860	6.48%
$26,860 - 40,290	6.80%
$40,290 - 60,435	7.92%
$60,435 & above	8.98%

Tax Year 2008	
Net Taxable Income	**Number of Returns**
No AGI	45,574
$1 - 9,999	356,260
$10,000 - 19,999	335,220
$20,000 - 29,999	329,579
$30,000 - 39,999	281,286
$40,000 - 49,999	199,752
$50,000 - 74,999	234,607
$75,000 - 99,999	79,374
$100,000 & above	105,736
	1,967,388

Net Taxable Income	Tax Rate*
$0 - $1,379	0.36%
$1,379 - 2,758	0.72%
$2,758 - 5,516	2.43%
$5,516 - 12,411	4.50%
$12,411 - 20,685	6.12%
$20,685 - 27,580	6.48%
$27,580 - 41,370	6.80%
$41,370 - 62,055	7.92%
$62,055 & above	8.98%

Tax Year 2009	
Net Taxable Income	**Number of Returns**
Information not available.	

Net Taxable Income	Tax Rate*
$0 - $1,407	0.36%
$1,407 - 2,814	0.72%
$2,814 - 5,628	2.43%
$5,628 - 12,663	4.50%
$12,663 - 21,105	6.12%
$21,105 - 28,140	6.48%
$28,140 - 42,210	6.80%
$42,210 - 63,315	7.92%
$63,315 & above	8.98%

***** Iowa is one of three states that allow all taxpayers full deductibility of net federal tax payments.

Source: Iowa Individual Income Tax Annual Statistical Report, compiled by the Iowa Department of Revenue, Tax Research and Program Analysis Section

STATE OF IOWA

Retail Sales by Business Classification **Schedule 7**

Sales Tax Annual Period April 1 through March 31 of the following year 2001 through 2010

Classification	2001 Number of Businesses	2001 Taxable Sales (in thousands)	2002 Number of Businesses	2002 Taxable Sales (in thousands)	2003 Number of Businesses	2003 Taxable Sales (in thousands)	2004 Number of Businesses	2004 Taxable Sales (in thousands)	2005 Number of Businesses	2005 Taxable Sales (in thousands)
Utilities & transportation	13,059	$ 4,493,620	13,220	$ 3,953,930	12,738	$ 4,101,154	13,057	$ 3,736,575	13,276	$ 3,472,773
Building materials	7,622	1,799,213	7,498	1,973,033	7,137	2,020,801	6,988	2,209,564	6,840	2,382,479
General merchandise	8,172	4,408,791	7,889	4,579,962	7,412	4,664,047	7,183	4,733,819	6,988	4,887,726
Food dealers	6,293	1,206,761	6,295	1,250,659	6,229	1,283,585	6,254	1,317,366	6,299	1,358,506
Motor vehicles	15,630	1,439,919	15,277	1,505,792	14,662	1,506,153	14,485	1,598,737	14,381	1,611,626
Apparel	6,090	706,418	5,894	703,552	5,671	697,113	5,503	708,476	5,567	742,213
Home furnishings & appliances	9,573	1,200,680	9,058	1,176,072	8,397	1,186,576	8,036	1,287,449	7,879	1,382,500
Eating & drinking places	26,625	2,404,765	26,503	2,465,627	26,349	2,500,868	26,377	2,575,410	26,711	2,710,571
Specialty retail stores	67,903	2,145,314	66,258	2,104,698	60,449	2,098,701	58,988	2,201,556	58,479	2,233,187
Services	110,965	3,641,760	109,870	3,659,775	104,259	3,726,722	103,227	3,650,972	104,669	3,775,677
Wholesale goods	25,271	2,455,822	23,823	2,363,712	21,781	2,266,911	20,156	2,232,352	19,467	2,357,267
All other	80,924	2,578,661	81,088	2,709,818	78,186	2,652,267	74,709	2,847,004	75,087	2,890,776
Total	378,127	$ 28,481,724	372,673	$ 28,446,630	353,270	$ 28,704,898	344,963	$ 29,099,280	345,643	$ 29,805,301

Classification	2006 Number of Businesses	2006 Taxable Sales (in thousands)	2007 Number of Businesses	2007 Taxable Sales (in thousands)	2008 Number of Businesses	2008 Taxable Sales (in thousands)	2009 Number of Businesses	2009 Taxable Sales (in thousands)	2010 Number of Businesses	2010 Taxable Sales (in thousands)
Utilities & transportation	13,608	$ 3,480,731	14,409	$ 3,253,006	14,628	$ 3,385,552	14,876	$ 3,517,073	14,570	$ 3,416,539
Building materials	6,744	2,496,945	6,965	2,502,180	6,985	2,470,307	6,981	2,561,077	6,821	2,437,841
General merchandise	6,645	4,851,712	6,862	5,159,008	6,678	5,218,644	6,666	5,428,309	6,478	5,366,827
Food dealers	6,325	1,415,821	6,796	1,503,246	6,833	1,564,199	6,817	1,634,570	6,770	1,713,971
Motor vehicles	14,251	1,686,072	14,843	1,737,850	14,707	1,827,036	15,177	1,926,927	14,210	1,852,142
Apparel	5,786	793,065	6,162	825,421	6,147	841,572	6,326	855,151	6,383	866,270
Home furnishings & appliances	7,509	1,440,372	7,582	1,435,783	7,621	1,469,497	7,960	1,456,128	7,914	1,202,096
Eating & drinking places	27,439	2,895,134	29,893	3,084,773	30,518	3,274,850	30,936	3,359,230	30,435	3,305,611
Specialty retail stores	56,820	2,349,683	60,925	2,418,715	60,964	2,456,805	61,037	2,510,639	60,568	2,496,150
Services	105,712	4,021,968	114,755	4,277,480	116,970	4,476,801	122,863	4,729,859	127,591	4,511,003
Wholesale goods	18,759	2,486,270	19,280	2,469,117	18,788	2,499,040	18,611	2,507,198	18,148	2,227,656
All other	71,340	3,190,615	57,075	2,979,140	59,196	3,604,722	54,838	3,218,496	50,982	2,547,487
Total	340,938	$ 31,108,388	345,547	$ 31,645,719	350,035	$ 33,089,025	353,088	$ 33,704,657	350,870	$ 31,943,593

The sales tax rate had remained at 5% since 1992. In September 2008 the rate increased from 5% to 6%.

Source: Iowa Retail Sales and Use Tax Report, compiled by the Iowa Department of Revenue, Tax Research and Fiscal Analysis Section

STATE OF IOWA

Ratios of Outstanding Debt by Type **Schedule 8**

For the Last Ten Fiscal Years

(Expressed in Thousands Except Per Capita)

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	Revenue Bonds	Capital Leases	Loans & Contracts	Certificates of Participation	Revenue Bonds	Capital Leases	Loans & Contracts	Certificates of Participation			
2001	$ 163,296	$ 8,367	$ 2,133	$ 3,720	$ 569,927	$ 74,024	$ 6,058	$ 66,448	$ 893,973	1.14	306
2002	404,130	6,552	2,717	3,720	1,235,806	70,454	5,043	56,975	1,785,397	2.24	611
2003 *	1,012,383	5,061	3,422	3,130	640,560	101,424	16,597	46,936	1,829,513	2.20	623
2004	991,156	4,498	3,145	2,495	700,257	108,645	8,664	36,277	1,855,137	2.17	630
2005	965,724	4,390	2,820	2,035	757,800	123,861	4,838	-	1,861,468	2.06	628
2006	1,091,841	3,587	2,569	1,560	837,368	137,169	4,158	-	2,078,252	2.17	701
2007	1,110,582	6,293	2,854	1,020	921,938	157,665	3,431	-	2,203,783	2.22	739
2008	1,049,536	5,403	2,705	580	1,069,239	149,062	2,570	-	2,279,095	2.18	763
2009	1,017,620	4,438	2,526	395	1,150,222	145,930	21,283	-	2,342,414	2.12	780
2010	1,631,945	5,534	2,339	200	1,281,888	139,407	24,002	-	3,085,315	2.80	1,026

* - Fiscal Year 2003 revenue bonds reported reflects prior period adjustment made in 2004 for the reclassification of the Tobacco Settlement Authority from a business-type activity to a governmental fund type of $629,028.

Personal income and population are based on the calendar year that ends within the fiscal year (See Schedule 10).

STATE OF IOWA
Revenue Bond Coverage
For the Last Ten Fiscal Years

Schedule 9

Governmental Activities - Special Revenue Funds

(Expressed in Thousands)

Tobacco Settlement Authority

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2001	N/A						
2002	Reported as an Enterprise Fund						
2003	Reported as an Enterprise Fund						
2004	$ 45,762	$ 412	$ 45,350	$ 1,325	$ 35,741	$ 37,066	1.22
2005	46,598	370	46,228	1,490	35,651	37,141	1.24
2006	43,189	2,929	40,260	2,555	38,681	41,236	0.98
2007	45,473	260	45,213	6,755	37,111	43,866	1.03
2008	62,302 *	1,253	61,049	14,700	41,656	56,356	1.08
2009	66,576 *	863	65,713	20,540	45,685	66,225	0.99
2010	71,327 *	1,097	70,230	12,510	44,350	56,860	1.24

* Due to implementation of GASB Statement No. 48, the Tobacco Settlement Authority no longer reports tobacco settlement revenues. All tobacco settlement revenues are reported in the Tobacco Collections Fund and funds are then advanced to the Tobacco Settlement Authority for debt repayment. The amount shown represents the amount advanced and interest income.

N/A - not applicable.

Business-type Activities - University Funds

Residence/Dormitory Building Revenue Bonds

	Gross Revenues	Less: Operating Expenses*	Net Available Revenues	Debt Service* Principal	Debt Service* Interest	Debt Service* Total	Coverage
2001	$ 100,830,624	$ 73,424,183	$ 27,406,441	$ 6,336,000	$ 5,511,912	$ 11,847,912	2.31
2002	108,617,489	79,402,358	29,215,131	7,096,000	7,244,820	14,340,820	2.04
2003	113,836,368	82,975,088	30,861,280	9,242,000	7,581,644	16,823,644	1.83
2004	112,394,878	83,882,964	28,511,914	8,982,000	9,094,277	18,076,277	1.58
2005	121,230,692	92,438,679	28,792,013	9,187,000	9,714,234	18,901,234	1.52
2006	127,115,908	93,317,780	33,798,128	9,837,000	8,898,019	18,735,019	1.80
2007	136,767,598	99,553,934	37,213,664	10,557,000	8,699,161	19,256,161	1.93
2008	144,556,384	103,375,105	41,181,279	11,027,000	8,502,601	19,529,601	2.11
2009	154,609,512	111,813,708	42,795,804	10,757,000	8,324,753	19,081,753	2.24
2010	158,830,378	110,913,769	47,916,609	11,233,000	7,864,437	19,097,437	2.51

Athletic/Multipurpose/Academic Facilities Revenue Bonds

	Gross Revenues*	Less: Operating Expenses*	Net Available Revenues	Debt Service* Principal	Debt Service* Interest	Debt Service* Total	Coverage
2001	$ 141,551,223	$ 6,799,838	$ 134,751,385	$ 8,723,354	$ 5,885,915	$ 14,609,269	9.22
2002	159,915,402	8,187,961	151,727,441	9,066,560	5,790,003	14,856,563	10.21
2003	188,204,936	8,529,499	179,675,437	9,789,570	5,805,980	15,595,550	11.52
2004	212,906,076	7,632,811	205,273,265	8,231,000	6,368,987	14,599,987	14.06
2005	230,123,925	8,565,778	221,558,147	8,881,284	6,621,553	15,502,837	14.29
2006	242,284,931	9,606,122	232,678,809	7,461,060	7,983,639	15,444,699	15.07
2007	275,740,086	13,620,621	262,119,465	7,866,745	10,269,606	18,136,351	14.45
2008	257,929,215	17,239,350	240,689,865	9,230,704	12,980,293	22,210,997	10.84
2009	280,738,414	19,101,349	261,637,065	9,730,470	13,904,379	23,634,849	11.07
2010	301,468,638	20,760,095	280,708,543	9,662,550	12,862,304	22,524,854	12.46

Telecommunications Revenue Bonds

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service* Principal	Debt Service* Interest	Debt Service* Total	Coverage
2001	$ 18,523,509	$ 11,917,883	$ 6,605,626	$ 875,000	$ 658,095	$ 1,533,095	4.31
2002	17,730,521	13,465,966	4,264,555	1,645,000	1,280,055	2,925,055	1.46
2003	18,616,240	10,897,699	7,718,541	1,715,000	1,287,959	3,002,959	2.57
2004	17,454,242	12,967,506	4,486,736	1,795,000	1,210,320	3,005,320	1.49
2005	17,055,749	11,865,942	5,189,807	2,345,000	1,056,660	3,401,660	1.53
2006	18,124,407	11,808,838	6,315,569	2,430,000	954,733	3,384,733	1.87
2007	19,573,625	13,452,018	6,121,607	2,495,000	880,448	3,375,448	1.81
2008	20,189,573	13,682,608	6,506,965	2,575,000	800,923	3,375,923	1.93
2009	23,322,815	15,652,857	7,669,958	2,655,000	712,809	3,367,809	2.28
2010	21,113,543	15,317,093	5,796,450	2,825,000	399,628	3,224,628	1.80

(continued on next page)

STATE OF IOWA
Revenue Bond Coverage
For the Last Ten Fiscal Years

Schedule 9

Business-type Activities - University Funds
(continued)

Student Health Facility Revenue Bonds

	Gross Revenues	Less: Operating Expenses*	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2001	$ 4,896,818	$ 3,484,041	$ 1,412,777	$ 415,000	$ 371,193	$ 786,193	1.80
2002	5,204,381	3,729,121	1,475,260	430,000	352,873	782,873	1.88
2003	5,798,079	3,851,479	1,946,600	450,000	329,363	779,363	2.50
2004	6,303,241	4,524,267	1,778,974	470,000	308,951	778,951	2.28
2005	8,874,465	6,503,983	2,370,482	635,000	431,472	1,066,472	2.22
2006	10,057,427	7,550,254	2,507,173	660,000	403,654	1,063,654	2.36
2007	10,684,451	8,188,148	2,496,303	690,000	375,041	1,065,041	2.34
2008	11,373,942	8,683,764	2,690,178	720,000	344,646	1,064,646	2.53
2009	11,540,097	9,340,002	2,200,095	755,000	311,416	1,066,416	2.06
2010	11,914,415	8,896,744	3,017,671	790,000	276,116	1,066,116	2.83

Utility System Revenue Bonds

	Gross Revenues	Less: Operating Expenses*	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2001	$ 70,145,668	$ 51,663,023	$ 18,482,645	$ 3,895,000	$ 3,815,558	$ 7,710,558	2.40
2002	88,433,703	70,946,936	17,486,767	4,240,000	3,304,274	7,544,274	2.32
2003	74,477,952	54,174,778	20,303,174	4,435,000	3,795,713	8,230,713	2.47
2004	77,307,581	54,751,123	22,556,458	5,220,000	3,582,466	8,802,466	2.56
2005	82,346,578	59,635,943	22,710,635	5,385,000	4,631,915	10,016,915	2.27
2006	89,162,472	66,672,647	22,489,825	6,955,000	4,339,061	11,294,061	1.99
2007	96,415,258	67,839,688	28,575,570	7,240,000	5,637,412	12,877,412	2.22
2008	104,480,964	73,462,600	31,018,364	8,610,000	7,387,630	15,997,630	1.94
2009	106,149,128	78,194,663	27,954,465	9,790,000	7,966,982	17,756,982	1.57
2010	109,637,782	76,999,169	32,638,613	11,810,000	7,484,308	19,294,308	1.69

Parking System Revenue Bonds

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2001	$ 10,054,770	$ 5,668,553	$ 4,386,217	$ 1,240,000	$ 505,291	$ 1,745,291	2.51
2002	10,049,839	6,296,083	3,753,756	1,275,000	520,620	1,795,620	2.09
2003	14,105,470	8,355,493	5,749,977	1,525,000	715,992	2,240,992	2.57
2004	14,414,350	9,690,321	4,724,029	620,000	660,964	1,280,964	3.69
2005	15,898,523	8,999,412	6,899,111	640,000	1,124,189	1,764,189	3.91
2006	16,825,506	10,732,447	6,093,059	660,000	1,447,224	2,107,224	2.89
2007	18,048,461	10,759,846	7,288,615	1,330,000	1,413,162	2,743,162	2.66
2008	18,412,101	12,234,090	6,178,011	1,375,000	1,365,988	2,740,988	2.25
2009	19,353,717	12,261,108	7,092,609	1,420,000	1,315,068	2,735,068	2.59
2010	18,561,783	13,458,739	5,103,044	1,465,000	1,239,522	2,704,522	1.89

Recreational/Regulated Materials Facility Revenue Bonds

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2001	$ 2,126,412	$ 157,433	$ 1,968,979	$ 890,000	$ 505,157	$ 1,395,157	1.41
2002	2,265,134	148,239	2,116,895	950,000	470,015	1,420,015	1.49
2003	2,402,496	187,019	2,215,477	990,000	426,098	1,416,098	1.56
2004	3,418,105	151,659	3,266,446	1,045,000	550,568	1,595,568	2.05
2005	3,743,620	155,928	3,587,692	1,395,000	526,944	1,921,944	1.87
2006	3,938,376	154,370	3,784,006	1,460,000	444,998	1,904,998	1.99
2007	4,110,742	74,587	4,036,155	1,520,000	395,866	1,915,866	2.11
2008	5,228,477	2,108,427	3,120,050	1,555,000	344,678	1,899,678	1.64
2009	5,111,901	1,792,045	3,319,856	515,000	1,803,762	2,318,762	1.43
2010	16,450,929	4,242,937	12,207,992	405,000	4,897,655	5,302,655	2.30

(continued on next page)

STATE OF IOWA
Revenue Bond Coverage
For the Last Ten Fiscal Years

Schedule 9

Business-type Activities - University Funds
(continued)

Memorial/Maucker Union Revenue Bonds

	Gross Revenues*	Less: Operating Expenses*	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2001	$ 22,370,786	$ 20,948,024	$ 1,422,762	$ 400,000	$ 368,288	$ 768,288	1.85
2002	27,281,164	23,657,013	3,624,151	425,000	483,650	908,650	3.99
2003	30,802,004	26,032,039	4,769,965	900,000	704,088	1,604,088	2.97
2004	30,147,916	28,122,091	2,025,825	1,020,000	672,043	1,692,043	1.20
2005	37,284,842	32,054,721	5,230,121	1,065,000	1,223,435	2,288,435	2.29
2006	38,367,277	30,729,855	7,637,422	1,730,000	1,893,049	3,623,049	2.11
2007	41,138,322	32,164,391	8,973,931	2,095,000	1,982,105	4,077,105	2.20
2008	40,973,448	32,933,033	8,040,415	2,245,000	1,915,530	4,160,530	1.93
2009	39,831,699	32,186,403	7,645,296	2,330,000	1,838,780	4,168,780	1.83
2010	43,973,565	36,263,121	7,710,444	2,045,000	1,763,240	3,808,240	2.02

Hospital Revenue Bonds

	Gross Revenues*	Less: Operating Expenses*	Net Available Revenues	Debt Service Principal	Interest	Total	Coverage
2001	$ 596,223,771	$ 513,689,055	$ 82,534,716	$ 3,425,000	$ 614,813	$ 4,039,813	20.43
2002	611,814,482	550,263,218	61,551,264	2,500,000	414,775	2,914,775	21.12
2003	618,523,534	555,866,710	62,656,824	2,600,000	537,488	3,137,488	19.97
2004	655,923,770	598,440,433	57,483,337	2,675,000	1,236,139	3,911,139	14.70
2005	715,554,047	622,426,911	93,127,136	560,000	1,142,401	1,702,401	54.70
2006	782,674,749	677,679,749	104,995,000	580,000	1,118,889	1,698,889	61.80
2007	869,929,049	674,660,538	195,268,511	610,000	1,094,345	1,704,345	114.57
2008	930,363,674	748,511,397	181,852,277	635,000	2,325,852	2,960,852	61.42
2009	1,004,234,997	863,978,945	140,256,052	2,065,000	3,313,836	5,378,836	26.08
2010	1,053,710,908	842,556,209	211,154,699	3,615,000	5,458,134	9,073,134	23.27

Center For University Advancement Revenue Bonds

	Gross Revenues*	Less: Operating Expenses	Net Available Revenues	Debt Service* Principal	Interest	Total	Coverage
2001	$ 1,489,440	$ -	$ 1,489,440	$ 770,000	$ 733,545	$ 1,503,545	0.99
2002	1,526,453	-	1,526,453	810,000	697,920	1,507,920	1.01
2003	1,494,928	-	1,494,928	850,000	620,353	1,470,353	1.02
2004	1,427,308	30,373	1,396,935	895,000	578,473	1,473,473	0.95
2005	1,160,515	17,726	1,142,789	945,000	533,840	1,478,840	0.77
2006	896,537	-	896,537	530,000	396,475	926,475	0.97
2007	870,275	-	870,275	510,000	376,975	886,975	0.98
2008	904,588	-	904,588	535,000	357,381	892,381	1.01
2009	945,279	-	945,279	560,000	336,850	896,850	1.05
2010	915,247	-	915,247	575,000	314,850	889,850	1.03

All University Funds pledged revenues consist of charges for services which include room and board fees.

* - Certain amounts have been revised to reflect changes made by the Universities.

Source: Information provided by the Tobacco Settlement Authority and Universities.

STATE OF IOWA

Demographic and Economic Statistics **Schedule 10**

For the Last Ten Calendar Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Population (*in thousands*)	2,926	2,923	2,937	2,944	2,954	2,966	2,982	2,988	3,003	3,008
Personal income (*in millions*)	$ 78,200	$ 79,753	$ 83,051	$ 85,506	$ 90,289	$ 95,858	$ 99,112	$ 104,651	$ 110,135	$ 110,541
Per capita personal income	$ 26,726	$ 27,285	$ 28,277	$ 29,044	$ 30,565	$ 32,315	$ 33,236	$ 35,023	$ 36,680	$ 36,751
Resident civilian labor force and employment (*annual averages*)										
Civilian labor force (*in thousands*)	1,563.0	1,587.8	1,667.5	1,612.3	1,623.8	1,659.8	1,664.3	1,661.0	1,676.0	1,673.9
Resident employment (*in thousands*)	1,522.1	1,534.8	1,600.7	1,540.1	1,545.4	1,584.1	1,602.8	1,598.3	1,607.0	1,574.3
Resident unemployed (*in thousands*)	40.9	53.0	66.8	72.2	78.4	75.7	61.5	62.7	69.0	99.7
Percent unemployed	2.6	3.3	4.0	4.5	4.5	4.6	3.7	3.8	4.1	6.0
Employment by industry, non-agricultural (*in thousands*)										
Construction	66.0	66.2	66.3	66.6	68.4	71.2	74.8	72.5	73.0	64.8
Manufacturing	251.5	240.2	227.5	220.0	222.9	229.5	230.9	229.4	227.8	203.7
Trade, transportation and utilities	315.8	311.3	304.9	303.1	305.6	306.8	308.6	308.8	309.2	302.0
Information	40.4	37.4	35.2	33.7	33.5	33.3	32.8	33.5	33.3	30.4
Financial activities	89.7	92.0	94.0	95.4	96.7	98.3	100.6	102.6	102.9	101.8
Professional and business	107.6	107.3	105.7	105.2	107.2	112.6	117.0	120.9	121.5	117.6
Education and health	181.9	185.4	188.0	189.8	191.4	195.3	199.0	202.3	206.7	211.0
Leisure and hospitality	125.5	124.1	124.5	125.5	127.6	129.6	132.7	136.7	135.3	132.4
Other services	56.8	56.3	56.8	56.2	56.3	56.2	56.6	57.7	57.7	57.6
Government	243.3	245.2	244.2	244.8	244.3	245.5	247.3	249.7	252.7	254.7
Total non-agricultural employment	1,478.5	1,465.4	1,447.1	1,440.3	1,453.9	1,478.3	1,500.3	1,514.1	1,520.1	1,476.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis and Iowa Workforce Development, Labor Market Information Unit in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Note: Employment by industry for calendar years 2000 through 2001 have been revised to conform to the new reporting categories implemented in 2002.

STATE OF IOWA

Principal Non-governmental Employers

Prior Calendar Year and Nine Years Ago

Schedule 11

CALENDAR YEAR 2009

Rank	Employer	Type of Business
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Wal-Mart Stores, Inc.	Retail General Merchandise
3	Wells Fargo Bank NA	Finance
4	Deere and Company	Machinery Manufacturing
5	Rockwell Collins, Inc.	Equipment Manufacturing
6	Principal Life Insurance Company	Life Insurance
7	Tyson Fresh Meats Inc.	Food Manufacturing
8	Fareway Food Stores, Inc.	Retail Food
9	Casey's General Store	Convenience Stores
10	Iowa Health Systems	Health Services

CALENDAR YEAR 2000

Rank	Employer	Type of Business
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Wal-Mart Stores, Inc.	Retail General Merchandise
3	Deere and Company	Machinery Manufacturing
4	Rockwell Collins, Inc.	Equipment Manufacturing
5	Principal Life Insurance Company	Insurance/Finance
6	Iowa Beef Processors, Inc.	Meat Packing
7	Pella Corporation	Wood Products Maufacturing
8	APAC Customer Services Inc.	Telemarketing
9	Central Iowa Hospital Corporation	Health Services
10	Fareway Stores, Inc.	Retail Food

The Code of Iowa defines employee counts as confidential data; as such, this information is not available.

Source: Iowa Workforce Development

STATE OF IOWA
Significant Classes of Assets by Function **Schedule 12**
Capital Intensive Departments Only
For the Last Nine Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010
ADMINISTRATION & REGULATION									
Department of Administrative Services									
Land (acres)	133	133	133	133	133	133	133	133	138
Buildings & improvements (square footage)	1,210,406	1,210,406	1,210,406	1,210,406	1,210,406	1,433,865	1,443,917	1,472,729	1,766,069
Machinery & equipment	612	556	594	619	580	574	594	576	613
Alcoholic Beverages Division									
Land (acres)	15	15	15	15	15	15	15	15	15
Buildings & improvements (square footage)	181,996	181,996	181,996	181,996	181,996	181,996	181,996	181,996	181,996
EDUCATION									
Iowa Public Television									
Land (acres)	27	27	27	37	131	131	211	211	211
Buildings & improvements (square footage)	119,800	119,800	119,800	119,800	119,800	119,800	119,800	62,000	62,000
Machinery & equipment	524	532	544	583	572	580	578	983	977
Iowa Braille and Sight Saving School									
Land (acres)	70	70	70	70	70	70	70	70	70
Buildings & improvements (square footage)	190,612	190,612	190,612	190,612	190,612	190,612	190,612	190,612	190,612
Iowa School for the Deaf									
Buildings & improvements (square footage)	342,426	407,426	407,426	407,426	407,426	407,426	407,426	407,426	407,426
HEALTH & HUMAN RIGHTS									
Department for the Blind									
Buildings & improvements (square footage)	98,606	98,606	98,606	98,606	98,606	98,606	98,606	98,606	98,606
Machinery & equipment	221	221	221	221	221	211	229	264	262
Veterans Home									
Land (acres)	158	158	158	158	258	258	158	158	158
Buildings & improvements (square footage)	742,041	742,041	742,041	742,041	742,041	742,041	736,534	736,534	736,534
Machinery & equipment	182	217	218	225	218	239	241	250	262
Department of Public Health									
Machinery & equipment	205	249	278	311	335	368	358	336	422
HUMAN SERVICES									
Department of Human Services & Institutions									
Land (acres)	2,824	2,825	2,825	2,825	2,825	2,825	2,872	2,872	2,872
Buildings & improvements (square footage)	4,240,760	4,240,760	4,240,760	4,240,760	4,215,068	4,215,068	4,189,372	4,187,685	4,243,059
Machinery & equipment	1,311	1,318	1,404	1,377	1,424	1,562	1,617	1,734	1,754

(continued on next page)

STATE OF IOWA

Significant Classes of Assets by Function **Schedule 12**

Capital Intensive Departments Only

For the Last Nine Fiscal Years

(continued)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
JUSTICE & PUBLIC DEFENSE									
Department of Corrections & Correctional Facilities									
Land (acres)	1,951	1,951	1,932	1,985	1,872	2,112	2,112	2,112	2,122
Buildings & improvements (square footage)	3,316,668	3,391,719	3,392,487	3,873,806	3,101,404	3,786,838	3,922,016	3,930,180	3,930,180
Machinery & equipment	918	1,052	1,070	1,089	1,111	1,304	1,387	1,434	1,398
Judicial Districts									
Land (acres)	53	54	52	52	54	54	55	71	71
Buildings & improvements (square footage)	477,591	477,591	477,591	477,591	477,591	525,638	525,638	525,638	525,638
Machinery & equipment	303	310	301	317	294	296	298	297	283
Department of Public Defense									
Land (acres)	2,714	2,712	2,709	2,699	2,694	2,688	2,688	2,688	2,688
Buildings & improvements (square footage)	2,204,260	2,208,477	2,272,103	2,266,807	2,432,404	2,453,389	2,484,110	2,494,278	2,609,806
Machinery & equipment	158	257	288	278	323	327	350	330	391
Department of Public Safety									
Land (acres)	79	79	79	79	79	87	59	60	60
Buildings & improvements (square footage)	132,162	132,162	132,162	132,162	132,162	132,162	149,303	153,660	153,660
Machinery & equipment	1,415	1,505	1,406	1,415	1,471	1,420	1,416	1,495	1,477
ECONOMIC DEVELOPMENT									
Iowa Workforce Development									
Buildings & improvements (square footage)	129,822	129,822	129,822	129,822	129,822	129,822	129,822	129,822	129,822
Machinery & equipment	N/A	379	354	332	328	331	289	297	267
TRANSPORTATION									
Department of Transportation									
Land (acres)	10,670	10,344	9,886	8,840	8,161	8,256	7,568	7,199	7,404
Buildings & improvements (square footage)	2,221,587	2,213,811	2,189,403	2,224,961	2,279,725	2,293,725	2,311,895	2,320,784	2,360,453
Highway lane miles	233,181	233,380	233,558	234,039	234,451	235,471	235,821	235,999	236,426
Heavy equipment	5,122	4,801	4,926	5,048	5,114	5,326	5,385	5,550	5,803
Machinery & equipment	2,742	2,866	2,927	2,854	2,972	2,951	3,083	3,275	3,392
AGRICULTURE & NATURAL RESOURCES									
Department of Natural Resources									
Land (acres)	331,198	331,198	331,198	331,198	331,198	335,735	339,541	162,859	165,711
Buildings & improvements (square footage)	578,906	578,906	578,906	578,906	578,906	582,401	603,161	634,149	625,649
State parks	71	71	71	71	71	71	71	71	71
Wildlife management areas	20	20	20	20	20	20	20	20	20
Machinery & equipment	2,111	2,111	2,111	2,111	2,111	2,124	2,355	2,472	2,535

Source: Information provided by the Departments.

STATE OF IOWA

Operating Indicators by Function **Schedule 13**

For the Last Nine Fiscal Years or as Identified

	2002	2003	2004	2005	2006	2007	2008	2009	2010
ADMINISTRATION & REGULATION									
Department of Administrative Services									
State employees covered by benefit plans	18,908	18,493	18,885	18,873	19,382	19,747	20,299	20,630	20,140
Number of State payroll warrants processed*	509,412	498,577	510,463	510,558	524,984	534,237	549,932	558,438	541,636
EDUCATION									
Department of Education									
Enrollment:									
Public schools	489,523	487,021	485,011	483,335	483,105	482,584	480,609	477,019	474,227
Universities	70,661	71,521	70,566	68,949	67,896	67,701	69,178	70,325	71,353
Community colleges	68,790	73,947	78,292	81,803	82,499	84,961	87,072	88,104	100,736
HEALTH & HUMAN RIGHTS									
Department for the Blind									
Number of clients served	15,205	8,603	9,089	9,090	8,006	8,204	7,204	8,239	8,093
HUMAN SERVICES									
Department of Human Services									
Average number of residents/patients	1,322	1,228	1,229	1,176	1,168	1,136	1,105	1,070	1,024
Average number of Medicaid recipients	245,781	263,690	281,212	297,376	297,000	317,169	306,000	330,286	361,385
JUSTICE & PUBLIC DEFENSE									
Department of Corrections									
Average number of inmates	8,064	8,375	8,547	8,547	8,721	8,752	8,765	8,712	8,384
ECONOMIC DEVELOPMENT									
Department of Economic Development									
Number of community development block grants/home projects funded	131	118	116	115	110	117	104	61	84
Iowa Workforce Development									
Number of unemployment claims accepted (**calendar year**)	111,411	113,570	88,976	91,540	92,610	91,367	126,309	165,030	INA
Unemployment insurance regular benefits paid (**in millions, calendar year**)	366.7	381.5	312.5	296.3	312.9	329.6	421.5	788.1	INA
TRANSPORTATION									
Department of Transportation									
Automobile driver licenses issued	877,057	1,016,478	1,196,564	1,002,548	864,514	709,590	938,192	1,153,422	1,016,493
Vehicles weighed (**in thousands, federal fiscal year**)	INA	1,012	1,005	964	921	595	534	441	492
AGRICULTURE & NATURAL RESOURCES									
Department of Natural Resources									
Hunting & fishing licenses issued	1,542,832	1,571,435	1,366,087	1,368,624	1,378,487	1,372,423	1,305,779	1,374,122	1,418,625

* - Centralized State Payroll system only - excludes the Universities, Department of Transportation, Judicial Districts and certain other departments.
INA - Information not available.

Source: Information provided by Departments.

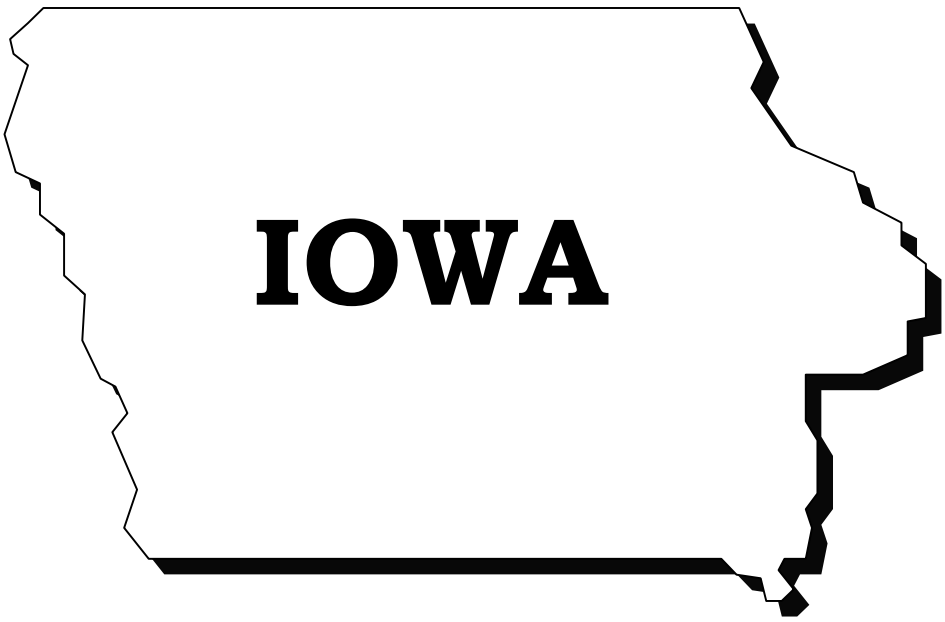
STATE OF IOWA

Number of Employees - Primary Government **Schedule 14**

For the Last Nine Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Administration & regulation	2,122	2,006	2,022	2,040	2,101	2,147	2,167	2,254	2,227
Education	1,169	1,120	1,152	1,165	1,166	1,117	1,107	1,147	1,147
Health & human rights	1,726	1,710	1,769	1,793	1,851	1,878	1,931	1,976	1,959
Human services	5,689	5,290	5,381	5,496	5,676	5,982	6,060	6,224	6,079
Justice & public defense	7,991	7,521	7,629	7,546	7,685	7,854	8,119	8,247	8,024
Economic development	1,016	986	1,003	973	962	929	961	998	1,042
Transportation	3,828	3,404	3,311	3,355	3,338	3,190	3,257	3,311	3,328
Agriculture & natural resources	1,547	1,449	1,548	1,534	1,578	1,607	1,635	1,689	1,618
Universities	38,060	39,343	39,023	38,302	36,474	37,137	37,842	39,003	38,392
Other enterprise funds	316	297	300	309	300	298	302	310	294
Total primary government	63,464	63,126	63,138	62,513	61,131	62,139	63,381	65,159	64,110

Source: Department of Administrative Services


IOWA

STATE OF IOWA

Schedule of Current Expenditures - General Fund **Schedule 15**

Year Ended June 30, 2010

(Expressed in Thousands)

	Personal Services	Travel & Subsistence	Supplies	Contractual Services	Equipment & Repairs	Claims & Miscellaneous	Licenses Permits & Refunds	State Aid	Plant Improvement	Adjustments	Total Current Expenditures
Administration & regulation	$ 137,110	$ 5,046	$ 4,702	$ 70,786	$ 4,908	$ 452,191	$ 111	$ 630,583	$ 29,146	$ (66,239)	$ 1,268,344
Education	71,735	1,075	4,870	32,647	2,595	6,532	20	3,198,996	32	22,671	3,341,173
Health & human rights	114,545	1,437	10,666	273,797	4,212	971	4	64,163	253	(5,236)	464,812
Human services	391,075	6,475	21,212	158,243	9,669	2,774	16	4,409,854	55	(101,754)	4,897,619
Justice & public defense	516,058	7,457	33,142	116,786	13,545	5,143	41	183,760	33,237	196,854	1,106,023
Economic development	76,679	1,503	3,075	67,487	3,002	5,269	9	174,510	-	12,146	343,680
Transportation	227,322	30,211	53,663	113,139	16,242	128,140	87	62,918	957,649	(1,041,794)	547,577
Agriculture & natural resources	105,054	4,814	5,909	44,854	3,106	2,585	20	19,399	23,144	(28,305)	180,580
Total primary government	$ 1,639,578	$ 58,018	$ 137,239	$ 877,739	$ 57,279	$ 603,605	$ 308	$ 8,744,183	$ 1,043,516	$ (1,011,657)	$ 12,149,808

Source: State Financial Accounting System, Judicial Districts financial statements, Iowa School for the Deaf and Iowa Braille and Sight Saving School financials and adjusting journal entries from GAAP packages.

A C K N O W L E D G M E N T S

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